

ORIGINAL

BEFORE THE INDIANA GAMING COMMISSION

PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: June 21, 1995

PLACE: Indiana Government Center Auditorium
302 West Washington Street
Indianapolis, Indiana

REGARDING: Lady Luck Gaming Corporation

REPORTED BY: Sherry L. Malia, RPR, Notary Public

MEMBERS OF THE COMMISSION

Alan I. Klineman, Chairman
Thomas F. Milcarek
Donald R. Vowels
Ann Marie Bochnowski
Robert Sundwick

ALSO PRESENT

John J. Thar, Executive Director,
and Members of the Staff

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1 MR. KLINEMAN: Let the record show that
2 all of the commissioners except Dr. Ross are
3 present and we're ready for the Lady Luck
4 presentation. Which I guess it's about three
5 minutes after 9:00, we'll give you until three
6 minutes after 10:00. Thank you.

7 MR. DAVIS: Mr. Chairman, Members of the
8 Commission, Executive Director Thar, and ladies
9 and gentlemen of the staff, good morning. I'm
10 Wayne Davis, a partner with the Indianapolis law
11 firm of Henderson, Daily, Withrow & DeVoe, and I'm
12 going to be your guide this morning to the Lady
13 Luck Lawrenceburg presentation.

14 Before we begin, I would like to
15 introduce the presenters for our presentation this
16 morning. From your left to right, we have Elaine
17 Uboldi, who is the president and chief operating
18 officer of Lady Luck Gaming Corporation. Next to
19 him we have Robert Ewbank, a founding member of
20 Dearborn Riverboat Express, a Dearborn County
21 citizen, and his family has resided in Dearborn
22 County for approximately a hundred and fifty
23 years. Next to Bob is Larry Tombari, who is the

1 senior vice president of development for Lady Luck
2 Gaming. Then we have Bill Watt, a former chairman
3 of the Indiana Transportation Board, a former
4 assistant to Governor Bowen, and a past official
5 with the Federal Railroad Administration. Next we
6 have Michael Hlavsa, the chief financial officer
7 of Lady Luck Gaming. And Nancy Donovan, one of
8 the most experienced riverboat casino marketing
9 professionals in the industry and the director
10 from the company's newest casino, Lady Luck
11 Bettendorf in Bettendorf, Iowa.

12 Over the past few days we have seen a
13 number of different scenarios and theories that
14 claim to serve the best interest of Indiana and
15 the people of Dearborn County. What we want to
16 show you today is the reality of it. Honest, up
17 front, and we believe compelling evidence that the
18 Lady Luck Lawrenceburg proposal is the only
19 project which puts the integrity and livelihood of
20 the citizens of Dearborn County first and foremost
21 and still accomplishes the goal of creating a
22 successful resort and gaming operation.

23 Essentially, the other development

1 proposals duplicate one another but with different
2 names and different operators. Lady Luck
3 Lawrenceburg, we believe, is different from the
4 onset. It is a practical, realistic difference
5 that is a strength for Dearborn County. It is a
6 proposal essentially created by our local
7 partners, and therein lies the real debate
8 surrounding what will be best for all the people
9 of Dearborn County.

10 The unique nature of the Lady Luck
11 Lawrenceburg proposal is difficult to understand
12 at first we know. We have heard that from
13 skeptical voices. But as you saw for yourselves
14 when you visited Dearborn County and toured the
15 proposed sites, the traffic and environmental
16 constraints in Lawrenceburg and the surrounding
17 area require that a development respect the
18 heritage of the community, the needs of those who
19 live there today as well as the legacy for the
20 generations to come. While you might not find
21 Dearborn County in a lot of tourist magazines,
22 those who call it home happen to think it's a
23 pretty wonderful place.



1 From the hills to the rivers and
2 everywhere in between, Dearborn County has a lot
3 to offer in natural beauty. And then there's the
4 man-made variety, with a host of historic downtown
5 buildings that stand in evidence to its proud
6 culture and history. The next chapter in that
7 history will be riverboat gaming.

8 The decision you make for Dearborn
9 County will affect the character of that area for
10 years to come. The impact of your decision is
11 what we will address in our presentation this
12 morning. We will begin with a brief explanation
13 of Lady Luck Gaming Corporation and Dearborn
14 Riverboat Express and then get right to the issues
15 and the reasons that we believe make Lady Luck
16 Lawrenceburg the best choice for the citizens of
17 Dearborn County and for Indiana.

18 And now let me introduce Alaine Uboldi,
19 who is the president and chief operating officer
20 of Lady Luck Gaming Corporation.

21 MR. UBOLDI: Good morning and thank you
22 for this opportunity. I would like to give a
23 quick overview of our company.

1 Lady Luck Gaming first became a public
2 company in September 1993 and today is traded on
3 the NASDAQ stock exchange. While we have only two
4 years as a public company, we have, however, for
5 30 years operated a casino in downtown Las Vegas.

6 Lady Luck Casino Hotel was opened by Mr.
7 Andrew Tompkins, our chairman, in 1964. It was a
8 very small newsstand with seventeen slot machines
9 which has evolved now into a prosperous hotel
10 casino for downtown Las Vegas which covers nearly
11 two city blocks.

12 When the gaming industry was right on
13 the brink of expansion outside of Nevada, Andrew
14 Tompkins and myself decided to create a separate
15 company with a sole purpose to pursue the
16 strategic and emerging gaming markets. Soon after
17 we opened our first casino, and then we carry on
18 opening to the United States. As of today, Lady
19 Luck operates five casinos and is a partner in a
20 sixth one.

21 The first casino, as you can see, was
22 and is still operating in Lady Luck Natchez in
23 Mississippi. The second one operates in Central

1 City in Colorado. The third one is Lady Luck
2 Biloxi in Biloxi, Mississippi, on the gulf coast.
3 Then came Lady Luck Rhythm & Blues in Coahoma
4 County, just south of Tunica County, which is
5 right on the bridge connecting Arkansas. Lately,
6 on April 21st, I think, we opened our last casino
7 that we operate, which is Lady Luck Bettendorf in
8 Bettendorf, Iowa. And, finally, we are a 35
9 percent partner with Bally's in North Tunica,
10 Mississippi, and the casino is supposed to open
11 sometime in November.

12 Our historical roots give us a strong
13 since of perspective in the emerging business of
14 casino gaming. We are sensitive to the emerging
15 culture of the areas in which we operate. We work
16 very hard to become an asset to the community we
17 serve. The same is true for Lawrenceburg,
18 Indiana. We are extremely excited about the
19 possibility of Lady Luck Lawrenceburg and hope
20 that you will see the same excitement.

21 I will now welcome Robert Ewbank, who
22 created Lady Luck Lawrenceburg, and he is going to
23 explain that.

1 MR. EWBANK: Good morning. Thank you,
2 Alaine. My name is Robert Ewbank, and I am a
3 native of Lawrenceburg where I practice law, as
4 did my father and his father before him.

5 My family arrived in Dearborn County
6 five years before Indiana became a state. For a
7 century and three-quarters, we have raised our
8 children, buried our dead, and respected our
9 community. One of the charms of Lawrenceburg is:
10 Not a lot of things change. It's a quiet city.
11 Its essential nature is shaped by the rhythms of
12 the river.

13 You can well imagine our initial concern
14 when riverboat gaming was authorized by the
15 general assembly. While we were grateful for the
16 economics of gaming, we were fearful that it would
17 change our lives forever.

18 During the conversation at the coffee
19 shop, out in front of church, at the PTA, it
20 became apparent that the people of Lawrenceburg
21 had three things they wanted from gaming: First,
22 economic development. After all, the river
23 brought us our initial prosperity. Is it not



1 fitting that it should be the instrument of our
2 revival? Secondly, the citizens of Lawrenceburg
3 being somewhat skeptical, wanted to know what
4 would be left for our community should the
5 riverboats leave town for more lucrative waters.
6 Finally and most importantly, we wanted to make
7 sure that Lawrenceburg remained Lawrenceburg.

8 As the gamers came to town, our worse
9 fears began to assume a scary reality. What would
10 be the impact on traffic? What would happen to
11 the Oxbow, as we know it the horseshoe bowers?
12 What would become of the city? It was as if the
13 music man had come to town with a bunch of band
14 uniforms to sell but without a tape measure. We
15 were determined not to let this happen.

16 Upon reflection, we realized we had the
17 people with experience in construction,
18 engineering, administrative law, small business,
19 land development, traffic control, and even
20 maritime operations. We were determined that
21 outside forces would not impose ill-fitting plans
22 in our community. But how are we to avoid the
23 inevitable traffic jams, the disruption of



1 inappropriate construction, and the possible
2 ruination of our heritage? The central traffic
3 reality of Lawrenceburg is that there are only
4 three ways you can get there. We knew the river
5 was out. We were all too familiar with congestion
6 on U.S. 50, not to mention the addition of ten
7 thousand cars a day to the already unsafe and
8 grossly polluted conditions on the only artery
9 through town.

10 One Sunday in July of 1993, when I was
11 on my way with my son to see a Reds game, I had to
12 wait on a train at the train crossing at U.S. 50
13 and the I-275 connector. It dawned on me: We can
14 move tourists to the riverboat by train with a
15 mass transit system. We would avoid the
16 additional congestion and the pollution of another
17 ten thousand exhaust pipes, and we could build a
18 hotel on the outskirts of town, thus saving the
19 wetlands and . . . (inaudible.)

20 We know our plan is different and we
21 realize we are asking you to think outside of the
22 box. But, after all, this was a county
23 referendum. We are convinced that our concept

1 will best serve the needs of Lawrenceburg,
2 Dearborn County, Southeastern Indiana, and the
3 State of Indiana.

4 Larry Tombari will now walk us through
5 the components of Lady Luck Lawrenceburg. Thank
6 you.

7 MR. TOMBARI: Thanks, Bob. With that
8 backdrop, our team faced a particularly
9 challenging development problem with five
10 significant obstacles. The objective was to frame
11 a project that provides a maximum benefit to the
12 most entities while minimizing the detrimental
13 impact of a high volume commercial business
14 enterprise. Many of these are quality of life
15 issues that all applicants should address. I
16 would like to describe how we addressed each of
17 these constraints. Later we will summarize the
18 financial aspects of the project.

19 First, a word about the environmental
20 constraints. One of the major development
21 constraints relates to environmental concerns,
22 particularly as they relate to the Oxbow
23 Conservancy land located between the I-275



connector access and downtown Lawrenceburg. Sensitive environmental issues, such as wetlands, wildlife habitat, and Indiana burial grounds associated with the Oxbow area have all come to surface since the advent of gaming development in Lawrenceburg. Concerns have also been expressed concerning the fly ash pit areas for gaming developments on the west side of town. Note that the Oxbow area is actually a very large area, probably a thousand plus acres between the access road and the levee protecting the town.

Local and state-wide environmental groups, including the Oxbow and Sierra clubs, have indicated that development of the land will destroy several species of wildlife and flora. Moreover, the development of such an area would permanently destroy a sensitive area that the citizens of Lawrenceburg and Dearborn County have enjoyed for more than 150 years.

We didn't believe that the citizens of Dearborn County nor the commission would opt for laying waste to an environmentally sensitive area for development that could depart in a few years.



1 We don't think the citizens of Dearborn County
2 would have voted for riverboat gaming if they knew
3 the Oxbow would be destroyed for the sole benefit
4 of a gaming development. If development of a
5 project is held up for sometime by concerned
6 citizens and powerful environmental groups,
7 Lawrenceburg could lose its competitive edge as
8 nearby venues open up to gaming competition in
9 Ohio and Kentucky during the litigation and the
10 legislative process.

11 The Lady Luck project allows for
12 retention of the Oxbow conservation area since no
13 development occurs in the area. The land-based
14 improvements are located near the town of
15 Greendale, out here, and the riverfront facilities
16 and gaming vessel are located on the downtown
17 riverfront, which is the historical docking space
18 for vessels landing at Lawrenceburg.

19 We have completed an application into
20 the Army Corps of Engineers and expect little
21 difficulty with the site being proposed. The
22 Oxbow Group and Sierra Club have extensively
23 reviewed the proposed developments offered by the

1 applicants, and I think they will be speaking here
2 tomorrow. The Sierra Club provided an unsolicited
3 endorsement of the Lady Luck Lawrenceburg project
4 during the public hearings in Lawrenceburg. A
5 copy of the statement has been contained in the
6 books that we will be providing to the commission.
7 The Oxbow group has not endorsed a specific
8 applicant but has publicly voiced its concerns
9 regarding possible destruction of wetlands and
10 habitat if development occurs in the Oxbow land.
11 A summary of that Oxbow study is going to be
12 contained in the books that you will be receiving.

13 Now a word about infrastructure
14 constraints. When I first arrived in Lawrenceburg
15 in July of 1993, it was apparent that the
16 infrastructure was woefully inadequate. I was
17 caught in very heavy traffic during mid day on
18 either side of U.S. 50. The best project for
19 southeastern Indiana would be one that best
20 addressed what was basically Nineteenth Century
21 infrastructure with a 1990s development project.

22 Lawrenceburg was built along the Ohio
23 River and utilized it as a primary transportation

1 route until the advent of the railroad, which
2 basically parallel the river through town.
3 Finally, the highway systems were built, with U.S.
4 50 being the primary artery through Lawrenceburg,
5 connecting the Cincinnati-Northern Kentucky area
6 via Interstate 275. The I-275 connector is the
7 only bridge across the Ohio River in the area.
8 Basically, there's only one way into and out of
9 Lawrenceburg.

10 The City of Lawrenceburg has narrow
11 streets and inadequate parking for commercial
12 projects. U.S. 50 is heavily traveled at times
13 and has been described as one of the state's most
14 dangerous highways, experiencing on average one
15 accident daily. As it passes through
16 Lawrenceburg, U.S. 50 passes by the Lawrenceburg
17 schools and portions of the central business
18 district. Access to the central business district
19 from I-275 requires two difficult left hand
20 vehicular turns. U.S. 50 crosses railroad tracks
21 of the Central Railroad as it passes through the
22 City of Lawrenceburg in two points: up here and
23 again down here as the tracks loop around.

1 Exit polling during the county
2 referendum on gaming indicated that the biggest
3 concern of Dearborn County residents was the
4 traffic volumes that riverboat gaming would bring
5 to the area, exacerbating an already burdened
6 system. Riverboat gaming will bring an additional
7 ten thousand cars daily into Lawrenceburg, which
8 should create virtual gridlock every weekend
9 starting Friday afternoon. The traffic problems
10 start the moment vehicular traffic turns left onto
11 U.S. 50 from I-275. U.S. 50 passes by the area
12 school system, including Lawrenceburg High School,
13 Central Elementary, Greendale Middle School, St.
14 Lawrence Catholic Elementary School.

15 U.S. 50 has been the site of many
16 vehicular incidents, and, in fact, two members of
17 our project team. I think one of the accidents
18 actually nearly fatally injured Mr. Ewbank's
19 mother. The citizens of Dearborn County and
20 commission can expect an increase in accidents
21 along U.S. 50 and an increase of incidents of
22 drivers driving while intoxicated. This is a
23 recent article of an accident. It involved a car



1 crashing into a school bus. These are school
2 children that are being put into the ambulance.

3 Highway 61 in Tunica County,
4 Mississippi, is probably a good predictor of what
5 could happen along U.S. 50 in Dearborn County.
6 Traffic counts increased from 2300 per day in
7 1990, which is prior to gaming down there, to more
8 than 4,000 in 1992 and 9500 in 1994. Fatalities
9 increased from one in 1990 to eighteen last year.
10 Note that the average daily traffic counts in 1994
11 in Highway 61 are nearly the same as those
12 predicted for a Lawrenceburg gaming facility
13 during the peak periods.

14 Tunica County is a rural agricultural
15 area, much less developed than Dearborn County.
16 One could presume that the number of accidents
17 would be much higher than that experienced in
18 Tunica County since traffic on U.S. 50 passes
19 through urban areas. While traffic counts are
20 certainly a safety issue, it could become the
21 overriding issue. Former Indiana State Police
22 Officer Jim Theobald, who has been advising the
23 team as to these matters, views safety as perhaps



1 the most important factor in the development of
2 gaming in Dearborn County.

3 The point to direct destination traffic
4 away from local traffic is at the I-275
5 interchange. While other applicants provide
6 various ramp-over schemes, we have been very
7 skeptical as to when such projects could be
8 expected to be completed, the feasibility of
9 constructing highways over levees and railroad
10 rights of ways, and the availability of funding
11 for the figures proposed by the city-hired
12 engineers are insufficient. Permits would be
13 required at both the state and federal levels, and
14 the ramp-over schemes are proposing destruction of
15 wetlands and the same environmental problems that
16 I described earlier.

17 Of course, no applicant has title to all
18 the property being proposed for the various casino
19 roads. I can say that because various members of
20 the Lady Luck Lawrenceburg investor group actually
21 own some of the property. Any type of levees that
22 would be constructed to contain roadways would
23 have to be built to contain 80-foot flood walls.



1 There are two rail lines bisecting the
2 City of Lawrenceburg: Central Railroad of Indiana
3 and CSX. Every proposed project must consider
4 traffic crossing these rail lines at some point.
5 When we recognized this, we partnered up with
6 Central Railroad to provide the requisite rights
7 of way to riverfront property and the Canadian
8 National Railroad to provide passenger operations
9 and much of the infrastructure improvements. Lady
10 Luck's project can control the traffic, the
11 freight traffic, as it impacts passenger traffic.
12 The same cannot be said for the CSX traffic. The
13 main east-west line for CSX is the track through
14 Lawrenceburg, right here.

15 I think one of the applicants yesterday
16 testified that three or four trains pass through
17 the city daily on this track. According to CSX,
18 the average number of trains passing through
19 Lawrenceburg on a daily basis is six during the
20 daylight hours and four through ten at night.
21 Therefore, one can expect ten to sixteen trains
22 daily through Lawrenceburg on CSX.

23 CSX also reported to us that the number



1 of trains coming through Lawrenceburg was expected
2 to increase over the next few years. Trains of
3 this size -- the average train contains 75 to 125
4 cars, and they proceed through Lawrenceburg at
5 what was reported as 15 miles per hour. Now, the
6 residents there in Dearborn County will probably
7 tell you they are not going that fast. CSX also
8 reported that there will be an increase in the
9 number of trains. Trains of this size virtually
10 extend the entire length of downtown Lawrenceburg,
11 nearly two miles in length. And when you are
12 caught in traffic jams in downtown Lawrenceburg,
13 it's because the trains extend this entire length,
14 which is a little better than two miles.

15 Assuming that the Indiana Gaming
16 Commission enforces cruising regulations, there's
17 an excellent chance that patrons will miss many
18 cruises because of delays caused by rail traffic,
19 either with CSX or with Central. Patrons that
20 will be transported via mass transit from these
21 off-site parking lots during temporary operations
22 or whatever, or the expected ten thousand vehicles
23 per day, will face delays and many will

undoubtedly miss the boat.

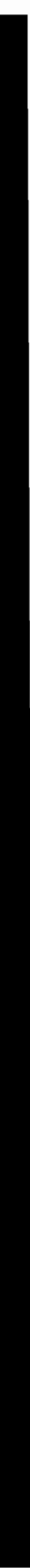
We feel this is a serious consideration for the State of Indiana and respective applicants. The State of Indiana and host communities would lose gaming taxes because patrons cannot get on the boat. The railroads have been running traffic through Lawrenceburg for more than a hundred years. We have serious doubts whether they will significantly change operations for a casino vessel that may leave Lawrenceburg with the advent of competitive facilities with superior locations.

Recently, Dearborn County's most notable employer, Seagrams, announced that it's considering leaving the area after sixty years due to traffic interruptions in reliable freight service that gaming will bring to Lawrenceburg. This would close down the world's largest distillery. We don't believe it was the intent of the legislation to replace these manufacturing jobs with gaming employment but rather to augment the existing employment base.

Finally, the compact size of the City of

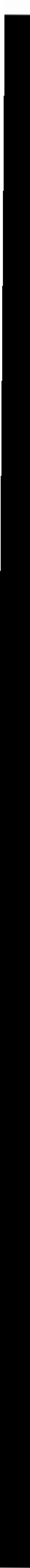
1 Lawrenceburg has forced some applicants to
2 configure development projects adjacent to
3 residential neighborhoods. This is unprecedented
4 anywhere in the United States gaming markets, and
5 our team felt that displacement of residents on a
6 large scale or condemnation of their homes would
7 not be well received by this commission. Lady
8 Luck's facilities are located along the highway
9 arteries and in the downtown riverfront corridor.
10 The project does not displace residents nor
11 require taking of property for gaming development
12 purposes.

13 A few words about competitive
14 positioning. The Lawrenceburg gaming project is
15 subject to potential competition from other
16 tri-state venues with superior locations,
17 including the Cincinnati riverfront, Covington,
18 Kentucky riverfront, or Turfway Park race course
19 in Florence. The Lawrenceburg facility will at
20 some point compete for Indianapolis patronage with
21 Indiana riverboats located near Louisville,
22 Kentucky. It's important to understand that a
23 location at or near the Cincinnati riverfront or



1 the Covington riverfront or at Turfway Park
2 located along I-75 are vastly superior to
3 Lawrenceburg or anywhere in Southeast Indiana. To
4 remain competitive over the long term,
5 Southeastern Indiana needs to have a project that
6 will contain improvements that will be attractive
7 to regional destination traffic so that they will
8 travel to Lawrenceburg as opposed to Cincinnati or
9 Kentucky venues.

10 Lady Luck's project contemplates
11 significant land-based, non-gaming facilities,
12 including a 500 room hotel, 150,000 square foot
13 family entertainment center, recreational
14 facilities, and parking for up to 5,000 cars, all
15 located away from the riverboat. These facilities
16 will be utilized by non-gaming visitors as well as
17 those wishing to visit the gaming facility. We
18 have access to more than 225 acres of land, which
19 will easily accommodate all the proposed
20 improvements, and land for additional development
21 or peripheral development. The development has
22 enough planned parking for commuter rail service
23 that is being contemplated by passing carriers in



1 the cities of Cincinnati and Indianapolis. We
2 believe that the higher level of management
3 demonstrates long-term commitment to Indiana and
4 foresight regarding potentially competitive
5 jurisdiction.

6 A word about some of the region-wide
7 benefits. The Lady Luck project was designed to
8 provide larger region-wide benefits as required in
9 the Indiana gaming legislation. In the
10 development agreement that we have with the City
11 of Lawrenceburg, we agreed to fund certain
12 infrastructure improvements; however, we did so on
13 the condition that it benefits all of Dearborn
14 County. Additionally, the project provides many
15 benefits to the town of Greendale. Most of the
16 improvements are located near the town of
17 Greendale and Greendale utilities district will
18 service the land-based improvements. Moreover,
19 the project contemplates additional flood proofing
20 of the levee, providing for development of the
21 Greendale Industrial Park which heretofore has had
22 difficulty receiving FEMA approvals for additional
23 development. This development will result in

1 subsequent employment for a projected thirty-five
2 hundred manufacturing jobs in the area. Finally,
3 the development of passing rail service between
4 Indianapolis and Cincinnati has been discussed for
5 sometime by many entities. The Greendale junction
6 area would serve as a spring board for this
7 development which benefits the state as well as
8 the tri-state region.

9 A few words about the endorsement
10 process. Certainly a difficult obstacle we faced
11 was that the City of Lawrenceburg had committed to
12 a developer prior to the legislation even being
13 passed. Even though the city was compelled to go
14 through the motion of an RFP process, the initial
15 developer was guaranteed an endorsement,
16 regardless of the scope of its project or any
17 inducements provided to the city or the county.
18 With a belief in the commission who favored those
19 applicants who, in accordance with the intent of
20 the legislation, are for the most state-wide and
21 region-wide benefits, the Lady Luck team
22 negotiated with the City of Lawrenceburg a
23 development agreement submitted as part of our



1 application.

2 Finally, we understand the City's
3 position as relates to economic benefits. The
4 City solicited proposals and asked proposers to
5 consider leasing land located in the Oxbow. Since
6 we had studied the property for quite sometime, we
7 knew we could not offer the City of Lawrenceburg a
8 ground lease payment that other applicants could
9 and did. The City has a large list of public
10 improvements, including a ramp-over access road
11 and a new city sewage system. We declined to fund
12 a ramp-over since one of the project's primary
13 advantages was a relief of traffic that would
14 cause gridlock in the city, and we've been advised
15 that the road might ultimately not be feasible.
16 We agreed to build the sewage treatment center but
17 did so with the condition that it benefit the
18 entire county of Dearborn.

19 In summary, the conceptual framework
20 that I've discussed led to the development plan.
21 Lady Luck's project is the only one that doesn't
22 harm the environment, that doesn't overwhelm the
23 infrastructure, that creates a long-term



1 competitive project, and provides the most
2 region-wide benefits. We would like to take a few
3 minutes now to show the Lady Luck project in
4 motion, to demonstrate the simple yet elegant and
5 innovative approach that we've taken to this
6 complex development problem.

7 (VIDEO PRESENTATION.)

8 MR. WATT: I'm Bill Watt, former
9 chairman of the State Transportation coordinating
10 Board, and I've been involved in railroad issues
11 in Indiana since the early 1970s.

12 You might say that in order to solve
13 Lawrenceburg's existing and future traffic
14 problems we've chosen the most durable
15 passenger-moving concept in American history. Our
16 challenge is to move as many as 14,000 people
17 daily to the Lady Luck riverboat at dockside and
18 do it in a way that maintains a high standard
19 reliability of safety, provides frequency and
20 flexibility to suit the passengers, avoids
21 clogging the streets of historic Lawrenceburg with
22 automobile traffic that will detract from the
23 overall tourism experience, respects the city's

1 unique character by not requiring intrusive
2 parking structures and redesigning of streets,
3 and overcomes the existing problem caused by the
4 busy CSX freight railroad main line running
5 through the heart of the City. It's a challenge
6 faced elsewhere, from day-to-day people moving
7 throughout urban America and serving recreational
8 centers of all kinds, many of them vulnerable to
9 traffic congestion and pollution impact.

10 The automobile is convenient until its
11 use is required in high volumes, which adds
12 pollution and congestion, and that convenience is
13 lost sitting in a traffic jam. For years planners
14 have searched for practical alternatives.
15 Monorails have been used in Seattle and the
16 Orlando Disney complex and are being employed in
17 the Las Vegas casino expansion. Shuttle buses are
18 used elsewhere, such as national parks and many
19 parking situations. Central City Colorado is
20 considering a tunnel which would allow passenger
21 train access to its casinos. Excursion trains
22 serve the Grand Canyon. A passenger fairy boat
23 crosses the Colorado River for the casinos. But

1 the solution for Lawrenceburg proved to be closer
2 at hand, the railroad.

3 A monorail that required a dedicated
4 corridor complicated construction and newly
5 manufactured operating costs. Buses would relieve
6 auto congestion but, to meet peak demand during
7 the hour prior to departure, would require a bus
8 every two minutes or less. The automobiles, ten
9 thousand of them daily, would require downtown
10 parking. By contrast, the Central Railroad
11 corridor in Lawrenceburg already is in place.
12 Plans call for utilizing existing passenger
13 equipment available to our contract operator.

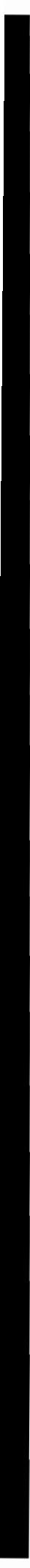
14 The railroad is America's longest
15 established transport mode for moving people in
16 volume on both scheduled and special runs. High
17 frequency railroad service has operated for 150
18 years, and today new trains are being added in
19 places like Washington, Atlanta, and elsewhere.
20 In 1947, the New Haven railroad carried 37,000
21 passengers to a single football game. Special
22 trains once brought people to the Indianapolis
23 Motor Speedway.

1 But we are not in the nostalgia
2 business. Computer rail is expanding in the
3 United States because it's proved technology and
4 makes marketing sense. 14,000 passengers per day.
5 Is it feasible for Lawrenceburg? Well, consider
6 another example close at hand, Northwest Indiana's
7 South Shore Railroad. South Shore's weekday total
8 ridership now averages nearly 12,000 daily and in
9 a far more complicated setting. The trains run to
10 and from Chicago, from as far east as South Bend,
11 and with numerous stops in between. Lady Luck's
12 train shuttle route is about two miles with no
13 intermediate stops. Total ridership at
14 Lawrenceburg will be higher than South Shore's on
15 a daily average, but customer demand will be
16 spread over an entire day of riverboat departures
17 and arrivals. Most of South Shore's ridership
18 crams into rush hour commuter periods totaling
19 four hours per day.

20 Here is some operating highlights.
21 Three train sets will operate the schedule, a
22 second set of tracks will be added to the Central
23 Railroad right of way, all grade crossings between

1 the hotel terminal and river terminal will be
2 bridged. We have an agreement with CSX to bridge
3 the diamond in Lawrenceburg, thereby overpassing
4 the CSX track. The passenger service will be
5 operated by CANAC, the contract operations arm of
6 Canadian National Railways. Each train set will
7 consist of two locomotives and ten passenger cars.
8 Each car holds eighty passengers, is ADA
9 compliant, and boards at the platform level.
10 Trains depart from the hotel and river terminals
11 every 12 minutes, transit time is 5 minutes. At
12 platforms, loading is from one side, unloading
13 from the other. Five trains will arrive within
14 each riverboat loading and unloading window. The
15 last train will depart the hotel terminal 12
16 minutes before the riverboat departs and will
17 arrive in sufficient time for passengers to board
18 the boat.

19 On weekdays, one track will be dedicated
20 to freight traffic for specified periods of time.
21 In addition to carrying crews and passengers, the
22 schedule will allow riders to go into downtown
23 Lawrenceburg and to the entertainment barge on a



1 scheduled basis. Employees will park at the hotel
2 terminal and commute to work at the riverboat by
3 train. An excursion or commuter train from
4 Cincinnati will be coordinated with the hotel
5 terminal departure times.

6 To sum it up, the Lawrenceburg rail
7 shuttle proposal is fully consistent with
8 long-established rail operations in city's like
9 Chicago, Boston, Washington, D.C., and Northwest
10 Indiana. Thank you.

11 MR. HLAVSA: Good morning. My name is
12 Michael Hlavsa. I'm the chief financial officer
13 of Lady Luck Gaming Corporation. I'll briefly
14 describe the financial data relating to the
15 project, specifically the development costs and
16 the operating projections.

17 Cost estimates for this project are
18 summarized on this table. We have divided them
19 into three primary categories: Phase I,
20 pre-opening; Phase II, with the operating years
21 one and two; and Phase III, operating years three
22 and four. While the initial costs are
23 approximately \$120 million, the total project

1 costs are nearly \$190 million. Virtually all of
2 the improvements are designed to be in compliance
3 with the development agreement that we have
4 executed with the City of Lawrenceburg.

5 A significant portion of the total
6 project costs relates to infrastructure, both as a
7 part of the development agreement with the City of
8 Lawrenceburg and from our specific development
9 plan. In fact, of the \$188 million of project
10 costs, nearly \$35 million is for infrastructure,
11 grants, and contributions. Nearly \$20 million of
12 infrastructure improvements, public work grants,
13 and contributions are part of the development
14 agreement with the City of Lawrenceburg. The
15 majority of these will occur prior to the opening
16 of the permanent facility.

17 In addition, the Lady Luck plan calls
18 for \$15 million of infrastructure related to
19 off-site, transportation-related improvements.
20 These are primary to railroad infrastructure
21 improvements, and these amounts include the
22 estimated costs of raising the levee, which
23 provides the benefit of flood proofing the



1 Greendale Industrial Park and the Lawrenceburg
2 Fairgrounds. The extensive infrastructure and
3 related permanent improvements represent nearly 20
4 percent of the total project costs. These costs
5 will provide benefits to all Dearborn County
6 residents and will not be dependent upon the
7 success of the riverboat project.

8 The initial capital requirements for
9 this project are a hundred and twenty million.
10 Our investment bankers have suggested a debt
11 portion of the project of 70 to 80 percent and an
12 equity requirement of 20 to 30 percent. We have
13 had a number of serious discussions with
14 significant financial resources and preliminary
15 agreements, as I'm sure most other applicants have
16 had. We have not concluded these discussions. We
17 believe that Lady Luck can provide the adequate
18 equity for the initial phase of this project on
19 its own.

20 Our intention is to provide a casino
21 vessel and entertainment barge as equity for the
22 project. This is exactly what we did in
23 Bettendorf, Iowa. We have just provided a twenty

1 million dollar cruising vessel that is being
2 utilized by that joint venture. We could
3 either -- our options are to either lease a
4 temporary vessel and begin construction of a
5 permanent vessel immediately or we could complete
6 a vessel that Lady Luck currently has under
7 construction. Lady Luck has expended
8 approximately \$6 million on a vessel that's
9 partially completed, and that process could finish
10 very quickly. That vessel was originally intended
11 for the State of Missouri; but since that
12 licensing process has slowed, it is now available
13 for other uses.

14 With respect to the entertainment barge,
15 Lady Luck currently has invested over \$7 million
16 in barges, heating ventilation, air conditioning,
17 steel work, and escalators that could be utilized
18 in a project in the Mississippi. That project is
19 now being joint ventured with Bally's, and they
20 are moving their casino boat which allows us to
21 utilize these assets in this project.

22 Lady Luck currently has over \$20 million
23 in corporate cash that could be used in connection

1 with this project. We have no other projects
2 currently that require cash commitments. This
3 table provides some highlights as to our operating
4 projections for the project. Obviously the market
5 will ultimately prove what revenues will be
6 generated in the Lawrenceburg market, and it won't
7 make a significant difference as to which operator
8 is doing the operating.

9 In addition, the gaming taxes collected
10 by the City, the County, the State, will be
11 approximately the same for all operators. The
12 Lady Luck project anticipates the total gaming tax
13 and admission tax will be 40- to \$45 million
14 annually over the initial five years of operation.
15 The Lady Luck riverboat will be about 400 feet
16 long by 108 feet wide. It will contain over 2300
17 gaming positions in 60,000 square feet of prime
18 gaming space.

19 Other proposals may be more ambitious,
20 but we believe they are not being realistic. The
21 real test is going to be in the years following
22 the addition of competitive pressures in the
23 Lawrenceburg market. That is when good marketing



1 becomes critically important and this leads into
2 the introduction of Nancy Donovan, who is fresh
3 off of a successful opening in Bettendorf, Iowa,
4 to explain a little bit about our marketing
5 program.

6 MS. DONOVAN: Thank you, Michael. It's
7 a pleasure to be here this morning. This morning
8 I will highlight some of the marketing strategies
9 that have made Lady Luck Casinos a nationally
10 recognized casino and hospitality company. I will
11 also outline our marketing plans for Lady Luck
12 Lawrenceburg.

13 Lady Luck has a proven track record of
14 success. For the past 30 years, we have been
15 attracting customers in every walk of life to your
16 exciting casinos and hotels. In 1994, over 4.5
17 million players visited a Lady Luck Casino and
18 over 550,000 persons enjoyed an overnight stay at
19 our hotels. In 1995 we expect those figures to
20 grow by 25 percent, with over six million players
21 visiting our casinos and over 650,000 persons
22 enjoying an overnight stay at our hotels.

23 Currently we manage and operate over

1 150,000 square feet of gaming space and over 1200
2 hotel rooms. We are proud to be among the most
3 experienced casino and hotel operators in the
4 nation. This means we understand how to
5 successfully develop, position, and operate casino
6 projects in emerging competitive gaming markets.
7 We are prepared to bring our experience and
8 expertise to Indiana in the name of Lady Luck
9 Lawrenceburg.

10 Our primary marketing strategies focus
11 on our Mad Money Player Club. As Vicky Lawrence,
12 our celebrity spokesperson, shows us, we currently
13 have over 1.5 million active players in our Mad
14 Money data base. This data base allows us to
15 bring a distinct marketing advantage to the
16 Indiana market and, that is, we have already
17 identified customers that are ready to visit Lady
18 Luck Lawrenceburg.

19 Like all major casinos, our Player Club
20 program is a program in which card members can
21 earn value in the casino through points for slot
22 play and complimentaries for rated table play.
23 Players Club programs are very successful in



1 regional riverboat casino markets. Players visit
2 our casinos more often because they know their
3 slot points are redeemable for prizes,
4 merchandise, exciting concert tickets, and even
5 cash. Because of our national presence, the
6 strength of our Players Club program is that our
7 players can earn value and receive benefits at any
8 of our Lady Luck properties.

9 This year our direct marketing
10 department will send out over five million direct
11 mail pieces to our existing and identified
12 prospective players. Through these campaigns, we
13 are able to offer players a variety of valuable
14 rewards and incentives. Our strategy for
15 developing and maintaining a long term and very
16 loyal customer base is to treat each player as a
17 VIP, regardless of their level of play. We
18 provide them with an exciting gaming experience
19 every time they visit a Lady Luck property at an
20 outstanding value. In fact, the regent Zaget
21 survey (phonetic), which is an independent
22 industry survey conducted in Las Vegas, ranked
23 Lady Luck Las Vegas, of all other Las Vegas

1 hotels, as the number one value in the entire Las
2 Vegas area.

3 Our marketing strategies also take a
4 personalized approach in what we call relationship
5 marketing. Through various interaction with our
6 players and continuous interaction, Lady Luck team
7 members build relationships with them. We really
8 get to know our customers. We want our customers
9 to do business with people they know. In fact, it
10 is not uncommon for our players to personally call
11 our general managers to respond to one of our
12 invitations because they know them so well. This
13 personal recognition has helped us to maintain and
14 grow our extensive customer data base.

15 Lady Luck Lawrenceburg considers the
16 core market to be more than the 7.1 million
17 residents who live within a hundred miles of the
18 casino. However, our pre-opening and operating
19 marketing campaigns will target the existing Mad
20 Money members and major population centers within
21 a 300 mile radius of Lawrenceburg.

22 Pre-opening marketing expenses are
23 forecast to reach \$2 million. Lady Luck

1 Lawrenceburg plans to contribute \$75,000 to the
2 Dearborn County Commissioners to expand convention
3 and tourism development. We have held discussions
4 with local, regional, and state tourism officials
5 regarding existing programs and are looking
6 forward to working jointly with them to position
7 Lady Luck Lawrenceburg within their consumer and
8 group programs.

9 We feel confident that Lady Luck's
10 national marketing strength will provide
11 additional opportunities to expand the visitor
12 traffic to the State of Indiana and the entire
13 tri-state region near Lawrenceburg. Strategies to
14 secure over a quarter million pre-opening
15 reservations will be implemented. These will
16 include transportation programs to bring customers
17 via railway, bus, and airplane.

18 As you have already heard, rail service
19 is a focal element of our project. Our partner,
20 Central Railroad of Indiana, has the track rights
21 to downtown Cincinnati and Union Station here in
22 Indianapolis. We believe that a regular rail
23 service program established from both markets will



1 be attractive to residents as well as visitors to
2 the area. In fact, the train experience will be a
3 featured part of our marketing programs and
4 entertainment options. Grand opening and ongoing
5 media plans will focus on major electronic and
6 print campaigns and target markets to position
7 Lady Luck Lawrenceburg as a featured regional
8 resort destination.

9 A full-scale public and community
10 relations program will support and strengthen all
11 media bias. Lady Luck Lawrenceburg will spend an
12 additional \$10 million on marketing during the
13 first year of operation to generate an estimated
14 three million visitors annually. A portion of the
15 first year's marketing budget will be dedicated to
16 implementing exciting casino promotions and
17 development and enhancement of a series of theme
18 special events. Lady Luck's successful marketing
19 strategies have proven that by offering frequent,
20 exciting, value-oriented casino promotions and
21 unique special events, customers visit the casinos
22 more often because they know there is always
23 something fun and exciting going on at a Lady Luck



1 casino.

2 Our thirty years of experience in the
3 casino and hospitality industry have led us to
4 become affectionately known as "The Players
5 Place", a place to enjoy an exciting gaming
6 experience at a great value in a comfortable
7 gaming atmosphere with friendly employees
8 delivering outstanding customer service. We are
9 willing and able to bring "The Players Place" to
10 Indiana with Lady Luck Lawrenceburg. Thank you.

11 MR. DAVIS: Mr. Chairman and Members of
12 The commission, we believe that only Lady Luck
13 Lawrenceburg offers realistic solutions to some
14 very real problems in Lawrenceburg: traffic
15 solutions, economic development, and environmental
16 responsibility. Three very important reasons to
17 select Lady Luck, But one of the most important
18 considerations for Dearborn County is its future
19 and how it will compete in the years to come.

20 In Las Vegas, where Lady Luck began over
21 30 years ago, the same people who will lead a team
22 of local residents in Lawrenceburg have operated
23 an extremely successful casino hotel business one

1 block north of Fremont street, a focal point for
2 Las Vegas visitors. And let's make no mistake
3 about it, today's gaming industry demands a solid
4 understanding of market dynamics and potential, a
5 proven management team, and the experience to
6 create a viable operating casino in a very tight
7 time frame. In other words, we believe it
8 requires the kind of capabilities that Lady Luck
9 Gaming has demonstrated in successfully building
10 its first five casinos.

11 Lady Luck Lawrenceburg is perhaps the
12 only applicant that has actively involved the
13 local residents of Dearborn County in the planning
14 of the project and not just the elected officials
15 or special interests. The evidence of local
16 resident involvement is apparent in the sensitive,
17 common sense way our plan solves traffic, economic
18 development, and environmental concerns by
19 adapting to existing infrastructure and geography.
20 We thank you for your attention. We look forward
21 to the question and answer session with other
22 members of our team. Thank you.

23 MR. KLINEMAN: Thank you. We'll take a

1 10 to 15 minute break at the present time. Be
2 back about a quarter after.

3 (A recess was had.)

4 MR. KLINEMAN: We might as well sort of
5 get into the question period now. Does anyone
6 want to lead off?

7 MS. BOCHNOWSKI: Well, I'll start with
8 an easy one, I guess. Your concept of staying
9 away from the environmentally sensitive areas that
10 we've been talking about all week are real
11 impressive. I'm concerned about how you are going
12 to actually get people to park at this hotel
13 facility instead of bypassing that and going
14 downtown, parking downtown, and crowding the
15 downtown area. How are you going to get people to
16 actually park at the hotel and take the train in?

17 MR. TOMBARI: My name is Larry Tombari.
18 I'm the vice president of development for Lady
19 Luck Gaming Corp.

20 The only way that one can board the
21 riverboat is with ticketing. All ticketing is
22 done out at the hotel site. Signage as you exit
23 off I-275, where probably in excess of 90 percent



1 of the traffic will come from, will all be pointed
2 toward that particular location. We also intend
3 on some of the pre-opening costs relating to
4 informing people that they must do this because
5 there is no ticketing and, of course, no parking
6 in downtown Lawrenceburg.

7 MS. BOCHNOWSKI: And how long did you
8 say that train ride is going to be?

9 MR. TOMBARI: The train ride is about 4
10 and a half to 5 minutes. Trains will leave
11 approximately every 11 to 12 minutes, and, as Mr.
12 Watt described, the boarding is in, the boarding
13 is in one side and then you exit out the other
14 side, much like if you've landed at, say,
15 Cincinnati airport or these other airport-type
16 transportation systems.

17 MS. BOCHNOWSKI: So it would in a sense
18 look more like that than like a regular train,
19 then?

20 MR. TOMBARI: It's more a shuttle than a
21 train ride, a shuttle by virtue of the very short
22 distance in time that you are in the system.

23 MS. BOCHNOWSKI: Okay.

1 MR. KLINEMAN: You are proposing a 500
2 room hotel. We heard yesterday that a hundred
3 rooms was adequate in Lawrenceburg at this time
4 for a project of this nature. There seems to be a
5 little bit of difference of opinion. Could you
6 tell us what would justify the 500 room concept
7 and what plans you have to make that a viable
8 entity?

9 MR. TOMBARI: Yes, sir. The hotel is
10 actually phased, two phases of 250 rooms each. We
11 are not in total disagreement, but we believe that
12 this is a regional destination market whereby
13 although there are certain to be a lot of drive-in
14 traffic, particularly early on, but we think over
15 the long term, as the project develops and becomes
16 a showcase project, we'll be able to attract
17 people from the longer distance of driving. And
18 once you are past an hour and a half or two hours
19 of driving, you are more compelled to want to
20 demand to stay in a hotel room. So the additional
21 phase of the hotel is subsequent. It's about 250
22 rooms. I think we contemplated adding that in
23 roughly year three of the operating.

1 MR. KLINEMAN: You do have a convention
2 facility planned, is that not right?

3 MR. TOMBARI: Yes. There's roughly,
4 there's 40- or 50,000 square feet of convention
5 space associated with the hotel and the
6 entertainment facility.

7 MR. KLINEMAN: And what phase would that
8 construction be in?

9 MR. TOMBARI: That's all part of Phase I
10 and -- Phase I includes both the hotel and the
11 family entertainment facility. What we believe
12 that Lawrenceburg can become is, again, a regional
13 convention and destination draw. Of course, the
14 reason that we are standing here in Indianapolis
15 today is because you don't have any types of
16 facilities in the Lawrenceburg area, and we think
17 there could be great demand for those,
18 particularly to the extent that you are creating a
19 new and exciting entertainment draw for these
20 groups and conventions.

21 MR. KLINEMAN: So that phase would
22 include everything except the additional, the
23 first phase of the hotel and center would include



1 everything except the last 250 rooms?

2 MR. TOMBARI: It also doesn't, I think
3 the first phase does not also include the water
4 park, which is located adjacent to the hotel, and
5 I believe the Adventure Golf complex, which is
6 kind of mixed in adjacent to the entertainment
7 project. That's why the majority of our costs, I
8 think roughly two-thirds of the costs, are spent
9 in the initial phase of the project.

10 MR. SUNDWICK: Could you show us on your
11 display here where you are going to build the 250
12 rooms in the second phase?

13 MR. TOMBARI: Yes. The initial 250
14 rooms is the one fronting U.S. 50. Then we have
15 the two additional wings of 125 rooms each
16 flanking the balance of the entertainment center.

17 MR. SUNDWICK: How are you going to get
18 from the parking garage? You have them going to
19 the second phase, so for three years you've got to
20 walk someplace else. From the parking garage you
21 have --

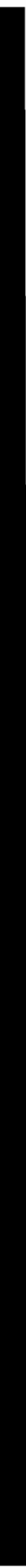
22 MR. TOMBARI: Yes. There are two,
23 there's actually two parking areas. There's the

parking areas that are surface that are south of U.S. 50 and then there's a parking garage here. And basically the main entry way is into kind of the middle of the family entertainment complex, because, remember, many of the patrons are actually not going to desire to walk through the hotel to get to the staging area where the trains will be, the ticketing and then the departure area where the trains will be departing.

So, yes, they will be walking in through here and the lobby area will be around here. So for the patrons that want to go, that aren't planning on staying at the hotel, they will not have to walk through the lobby area. For those people that will be coming to the hotel, they will be walking around this area, which will, of course, be covered prior to adding this additional phase. It's not as if it won't be covered. These are cutouts to show various of the facilities inside this covered entertainment facility.

MS. BOCHNOWSKI: So, in other words, all of that would be covered you are just showing us?

MR. TOMBARI: Yes, yes. And, in fact,



1 the water park here is actually surface parking
2 until it's built in the third or fourth operating
3 year.

4 MR. SUNDWICK: So what we are really
5 seeing is a long-term situation. If we make a
6 decision based on what you are showing us, it
7 could or could not happen. You could say, well,
8 three years from now we are not going to do that.

9 MR. TOMBARI: Well, actually, our
10 development agreement with the City of
11 Lawrenceburg requires virtually all the
12 improvements with the exception of these last 250
13 rooms. Everything else is in the development
14 agreement specified in terms of the quality and
15 rough square footage for all the improvements.

16 MR. SUNDWICK: If I were to come to your
17 hotel and I'm on the second floor inside room
18 there, I have to look at that roof? You have it
19 cut away now, but is it going to be covered? And
20 covered with what?

21 MR. TOMBARI: Oh, out here? Jerry, do
22 you want to comment on some of the covering?

23 MR. FEDORCHAK: I'm Jerry Fedorchak, one



1 of the architects with G. M. Fedorchak &
2 Associates. That roof is covered and it will be a
3 padded graveled roof.

4 MR. SUNDWICK: So you're looking at a
5 graveled roof?

6 MR. FEDORCHAK: Yes; that's correct.

7 MR. TOMBARI: So if you are not comped,
8 you would get some of these.

9 MR. SUNDWICK: That's what I was going
10 to say.

11 (Laughter.)

12 MR. SUNDWICK: The amount of parking
13 facilities you propose to have totally is how
14 many?

15 MR. TOMBARI: The total amount of
16 parking, and it's really virtually unlimited with
17 the acreage that we have, but we have a capacity
18 for up to 5,000 cars. The parking, of course,
19 there is a significant acreage that we have
20 optioned on the other side of U.S. 50, roughly 160
21 acres, and this is about an 80-acre parcel. This
22 particular parking garage, Jerry, is roughly 3500
23 cars -- it can be more or less -- and, of course,

1 there's significant surface parking across U.S.
2 50, plus there will be surface parking available
3 on the other side of the hotel until the water
4 park is eventually constructed.

5 All the parking -- remember, we are not
6 only thinking, and I think some of the testimony
7 was yesterday of day tripper markets and two
8 persons per car. Of course, day tripper markets
9 actually have a lot smaller number of persons per
10 vehicle, and we had assumed about 1.3 persons per
11 vehicle arriving in here.

12 But, remember, the project has a lot of
13 other benefits in that if at some point there is
14 going to be commuter rail service, we will have
15 the property and the land available for the
16 additional parking. There is an RV park planned.
17 So we have the acreage for those kind of things.
18 So the plan, with a lot of acreage it gives you a
19 lot more flexibility in terms of what you are
20 going to do in terms of your parking. We don't
21 require any off-site parking in all these other
22 areas and shuttle people to boats.

23 MS. BOCHNOWSKI: If somebody were, let's



1 say, staying in your hotel and not really
2 interested in gambling, interested in some of the
3 other options, what kind of a walk would it be
4 from your hotel to, say, downtown, or would they
5 actually have to take the shuttle downtown?

6 MR. TOMBARI: They must take the shuttle
7 downtown. This distance from downtown is nearly
8 two miles.

9 MS. BOCHNOWSKI: Okay.

10 MR. TOMBARI: And, so, again, the train
11 is running all the time, not just with the periods
12 when people are going to the gaming facility, the
13 hours for the facility.

14 MR. MILCAREK: Will there be a charge
15 for this train if you don't buy a ticket? Say
16 someone is visiting the complex and doesn't want
17 to gamble, just go downtown.

18 MR. TOMBARI: There's no charge for the
19 train. There's no charge for use of any of the
20 improvements. And, as you may be aware of, the
21 train allows you to go downtown and not go into
22 the boat area, if you please. You can go off to
23 the right and go into downtown Lawrenceburg. We



1 believe that with the amount of volume of visitors
2 that the place will be receiving, and that a lot
3 of the visitors may not necessarily be interested
4 in just coming there for gaming, that Lawrenceburg
5 will become pretty attractive, and we think a lot
6 of the downtown merchants and additional
7 restaurants will start coming round there in what
8 have been kind of declining areas. Of course, our
9 project also calls for various grants to downtown
10 Lawrenceburg for historic facade restoration and
11 sidewalk restoration, those kind of things.

12 MR. KLINEMAN: I don't want to be a
13 cynic, but I could envision a cottage industry
14 springing up on people who would buy tickets for
15 the boat, ride downtown, and sell them on the
16 streets and people will be parking all over the
17 place. Have you given any thought to controlling
18 that?

19 MR. TOMBARI: Much like, and I'm from
20 the west, and so we haven't had a lot of -- I have
21 had a lot of experience on trains, but what you
22 do, your tickets are actually validated on the
23 trains when you head into the area. It's going to

1 be like an airline ticket that's torn off. When
2 someone tears your airline ticket, you can't go
3 try to sell it to someone else because it's no
4 good anymore.

5 MR. VOWELS: Does that happen as you are
6 boarding?

7 MR. TOMBARI: It's going to happen on
8 the train before you get off the train; not when
9 they will be boarding.

10 MR. VOWELS: Well, is that going to
11 impact what you told us was a five minute ride?

12 MR. TOMBARI: Oh, not at all, not at
13 all. Remember, the trains are divided into --
14 there is eight, what is there, eight cars per
15 train. There's a lot of different cars that we
16 have. Virtually two people can go through and
17 validate these tickets. We haven't specifically
18 figured out how the tickets will go, but they will
19 probably be just quick tear-off tickets.

20 MR. VOWELS: How many people to a car?

21 MR. TOMBARI: There will be eighty
22 people per car; there are ten cars per train. So
23 there's eight hundred and eighty people per train.



1 We have, the maximum amount of trains that will
2 run down there for a specific cruise will be five.
3 Now, the total capacity on the boat for passengers
4 and crew is thirty-six hundred, so the absolute
5 maximum amount of trains that you would ever need
6 would be something less than five. On average, we
7 think it will require somewhere between two and
8 three train loads of people per excursion.

9 MR. VOWELS: This may be a dumb
10 question, probably is, but how does the train get
11 back? Does it go backwards or what?

12 MR. TOMBARI: No. There is two tracks
13 and there is two engines, so the train just goes
14 back and forth. It's much more like a shuttle
15 than an actual train.

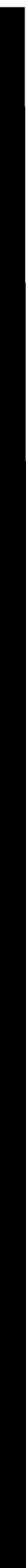
16 MR. VOWELS: It has an engine on both
17 ends?

18 MR. TOMBARI: Yes.

19 MR. SUNDWICK: These are regular train
20 engines? I mean, these are not going to be --

21 MR. TOMBARI: Howard, do you want to
22 describe this?

23 MR. SUNDWICK: I've got this vision of



1 this poor locomotive that you bought someplace,
2 that, you know . . .

3 (Laughter.)

4 MR. TOMBARI: Here is the guy who is
5 selling it to us.

6 MR. SUNDWICK: Okay.

7 MR. TISCHLER: I'm Howard Tischler, vice
8 president of CANAC, a subsidiary of Canadian
9 National Railways. The answer to your question,
10 sir, is that it will be a small standard
11 locomotive.

12 MR. SUNDWICK: Okay. I don't know what
13 that is so . . .

14 MR. MILCAREK: Is this diesel electric?

15 MR. TISCHLER: Yes, diesel electric
16 locomotives. If you were to be in Lawrenceburg
17 and look at Central Railroad of Indiana trains,
18 they would be going down the same track, it's very
19 much the same type of locomotive.

20 MR. SUNDWICK: We heard testimony
21 yesterday that somebody owns the track between,
22 and they are going to rip up that track and they
23 are going to put a road down on that track. Is

1 that the same track?

2 MR. TOMBARI: I hate to impeach anybody,
3 but it's owned by the Central Railroad of Indiana.
4 We have an option to lease the trackage and the
5 riverfront property from the Central Railroad of
6 Indiana.

7 MR. SUNDWICK: If you don't get a
8 license, then they might have a contract to sell
9 it to the other guys that do? I don't know. I
10 mean, are we are talking about the same railroad?

11 MR. TOMBARI: The same railroad, the
12 same location.

13 MR. VOWELS: Let me ask on that, you do
14 have an option to purchase that from Central
15 Railroad; right?

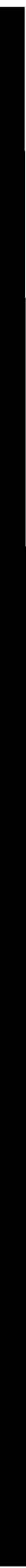
16 MR. TOMBARI: No. We have an option to
17 lease that from Central Railroad.

18 MR. VOWELS: When does your option
19 expire, do you know?

20 MR. TOMBARI: This particular lease
21 option expires December 31st of 1995.

22 MR. VOWELS: All right.

23 MR. TOMBARI: That's the -- the option



1 to lease and the terms, the basic terms, are in
2 the book that's been provided to you.

3 MR. VOWELS: Okay. Let me just ask this
4 question: If you don't get the license and another
5 one of the applicants needs to lease those tracks
6 for whatever reason, will you stand in the way if
7 there's an extension on your option or whatever
8 and throw a roadblock into this because you didn't
9 get the license? Because this isn't unheard of
10 and we've seen it before.

11 MR. TOMBARI: I know. I remember
12 Evansville.

13 (Laughter.)

14 MR. VOWELS: Now, precisely, and I would
15 like a commitment from you that if you wouldn't
16 receive a license that you wouldn't take the ball
17 and go home.

18 MR. TOMBARI: The option to lease is
19 conditional upon Lady Luck receiving the license.
20 In other words, and I'm not certain if it's true
21 for the other company, if the company does not
22 receive a license, the option is no longer in
23 effect.

1 MR. VOWELS: So you couldn't --

2 MR. TOMBARI: So I can give you my word,
3 but I believe it's all in the document before you
4 anyway. I would believe the document before me.

5 MR. SUNDWICK: The document you just
6 gave us, this book, you mean?

7 MR. TOMBARI: Yes. I'm sorry. That
8 blue book that's been provided to the commission,
9 yes. I think there are various sections there and
10 I think there's a section called the railroad.

11 MR. KLINEMAN: You called it
12 supplemental material.

13 (Laughter.)

14 MR. SUNDWICK: Well, in the blue book we
15 have there's no railroad in it. Do you mean this
16 book?

17 MR. TOMBARI: Oh, I'm sorry. The blue
18 book that's kind of purple.

19 MR. SUNDWICK: Give us a few minutes to
20 thumb through it.

21 (Laughter.)

22 MR. VOWELS: Is that the letter
23 agreement with Central Railroad?



1 MR. TOMBARI: Yes.

2 MR. THAR: Is the individual here from
3 Central Railroad? Can he speak?

4 MR. TOMBARI: Yes, they are.

5 MR. THAR: What is the situation with
6 regard to the track? Are there two options out on
7 it, one for Indiana Gaming and one for Lady Luck?

8 MR. TOMBARI: Are you asking that
9 question to me?

10 MR. THAR: To you unless they can
11 answer.

12 MR. TOMBARI: They are going to have to
13 answer because I'm only aware of our option.
14 Would you like them to come up?

15 MR. THAR: Yeah.

16 MR. KLINEMAN: They seem a little
17 reticent. Okay, and would you state your name,
18 sir?

19 MR. ELIAS: My name is Johnny Elias.
20 I'm an attorney for Central Railroad of Indiana,
21 and I negotiated both agreements with Argosy and
22 Lady Luck.

23 MR. THAR: So each option is contingent



1 upon who gets licensed; is that correct?

2 MR. ELIAS: One's an option and one is a
3 purchase contract. Both of them are contingent
4 upon receipt of the certificate of suitability
5 from the Indiana Gaming Commission.

6 MR. SUNDWICK: They commented in their
7 presentation that a period of time will be set
8 aside during the day for use of that track for
9 commercial use; is that correct?

10 MR. ELIAS: For use by Central Railroad
11 of Indiana?

12 MR. SUNDWICK: Yes. Is that not
13 correct? Somebody made some comment that there's
14 a certain period of time during the day. The
15 gentleman I think nodding his head down here made
16 that comment.

17 MR. TOMBARI: Yes. It actually relates
18 to the dispatching of the Central Railroad. I
19 think the terminology is that Central Railroad
20 will control the dispatching for their freight
21 traffic and/or trains. The note is that Central
22 Railroad has, I believe it has one train going in
23 per day and one train going out of Lawrenceburg.



1 MR. SUNDWICK: It can't be too useful if
2 they are willing to sell the other people the
3 tracks. Your other option says they can buy the
4 tracks and rip them up?

5 MR. ELIAS: Well, there are some
6 contingencies in the other contract which requires
7 Central Railroad to ensure the City of
8 Lawrenceburg trackage rights to CSX, et cetera.
9 So there is, the contract provides that we won't
10 lose the business.

11 MR. SUNDWICK: I see.

12 MR. VOWELS: I was just reading through
13 this additional lease agreement on the letter of
14 June 19th, 1995. It does state in here that
15 Central Railroad can enter into agreements with
16 other gaming companies. Has that been done?

17 MR. ELIAS: There is an agreement with
18 Argosy, yes.

19 MR. VOWELS: All right. Contingent upon
20 the receipt of the certificate of suitability so
21 you can't throw a wrench into it if you don't get
22 the licensing?

23 MR. ELIAS: True.

1 MR. MILCAREK: I see that you have
2 about, average about five cruises per day versus
3 the average cruise that would be about seven
4 cruises per day. Does this have anything to do
5 with the fact that the track will be used for
6 other purposes other than your trains going back
7 and forth with passengers?

8 MR. TOMBARI: Actually not. Do you want
9 to comment on that?

10 (Mr. Tombari conferring with
11 associates.)

12 MR. TOMBARI: Actually, I think there
13 are seven cruises per day, and it may have
14 increased from the application from last year just
15 because we are, we are able to have more cruises
16 and be able to get the people down there by virtue
17 of a double track.

18 MR. MILCAREK: We show that you average
19 about five, 5.3 per day. That's changed now?

20 MR. TOMBARI: Yeah. The average number
21 of cruises is actually, I believe it's seven per
22 day during the week and nine per day on weekends.

23 MR. THAR: Can we go back to the



1 railroad concept for a second? What do you do
2 when, what's your backup plan for when the train
3 breaks down?

4 MR. TISCHLER: One of the reasons for
5 having a locomotive on each end is to make sure
6 that there's a redundant system there. Also, we
7 have in the plan a complete redundant set of
8 equipment whereby under normal conditions each,
9 our three conches (phonetic) would be in steady
10 service with a fourth one in reserve. The fourth
11 one would also have ten coaches and two locomotive
12 units.

13 MR. THAR: Where is your maintenance
14 facility and where do you store that extra train?

15 MR. TISCHLER: We would plan to
16 construct a maintenance facility on Central
17 Railroad of Indiana where, within several thousand
18 feet of the junction of Lawrenceburg junction and
19 the main line.

20 MR. THAR: I appreciate your confidence
21 in your system, but I grew up in the south suburbs
22 of Chicago and used to ride the Illinois Central,
23 and they have a redundant system that is fairly



1 simple and it broke down and the train didn't make
2 it on time. So what are you going to do? What's
3 your system when it doesn't work?

4 MR. TISCHLER: I have to refer back to
5 the fact that the line is really not more than
6 three miles long. The maintenance people are all
7 within that three miles. We have the extra set of
8 equipment. It should not be a problem.

9 MR. THAR: So there is no system other
10 than the complete reliability of the train or
11 shuttle system; is that right?

12 MR. TISCHLER: Well, again, each conches
13 has a redundant locomotive unit and then we have
14 the spare set and the mechanical people.

15 MR. THAR: Other than the locomotives
16 and the train itself, there is nothing else; is
17 that right?

18 MR. TISCHLER: Well, we have the double
19 track. That was one reason for having the double
20 track.

21 MR. THAR: You don't have a bus system,
22 do you?

*23 MR. TISCHLER: No.



1 MR. THAR: Okay. So it's a train
2 system, regardless of how many tracks you have.

3 MR. TISCHLER: That is correct.

4 MR. THAR: What is it going to take to
5 build the system? What is your start time for the
6 temporary operations in view of the fact that you
7 probably don't want to open your operations until
8 you've got the train in place?

9 MR. TOMBARI: I'll have Howard comment
10 in a minute, but Canadian National has looked at
11 the improvement construction timing and the cost
12 schedules. They are here to testify that they can
13 complete all bridging and laying of the additional
14 tracks in up to a period as fast as six months,
15 which makes our temporary facility available in up
16 to a period of six months. Of course, it's going
17 to be subject to what the Corps does. We think
18 the Corps will not have a too difficult time given
19 that our boat is at a historical docking area.

20 Howard, do you want to make a comment or
21 two about the costs and the timing and the
22 availability of the various improvements?

23 MR. TISCHLER: The time table is a

1 rigorous one. The constraint from our engineering
2 perception is the bridge construction. Our bridge
3 engineers say that they can have the preliminary
4 engineering done and the construction accomplished
5 within a six-month time table. We happen to have
6 at the present time in our Canadian National
7 bridge inventory more than half of the spans that
8 would be required to do the bridging that we are
9 talking about.

10 MR. THAR: And what happens to the
11 traffic at the intersection of 275, 50, and
12 Highway 1 while you are building the overpass?

13 MR. TISCHLER: We feel that we can do
14 the bridge construction with the Central of
15 Indiana maintaining its operation on its grade
16 level right of way. We will have to have piers
17 installed on a scheduled basis and it should not,
18 in our opinion, impede, to a great degree, the
19 traffic flow at 275 and 50.

20 MR. THAR: So you are going to build a
21 train bridge and it's not going to have any
22 negative affect on automobile traffic flow at a
23 intersection?



1 MR. TISCHLER: Well, I would say when
2 the piers go in you are obviously going to have to
3 protect the areas, like they do on freeways when
4 there is bridge construction, but it's not going
5 to interrupt the, the regular flow of traffic
6 other than you will have a constraint during
7 certain of the construction period.

8 MR. THAR: What is the cost of the
9 railroad, including the bridge and the cars
10 itself?

11 MR. TISCHLER: The construction for the
12 track, the bridges, and the maintenance facility I
13 think was pegged at thirteen million seven. The,
14 the cost of the cars and the units I think are
15 just roughly four million. And then the platforms
16 for the stations, of course, are in addition to
17 that.

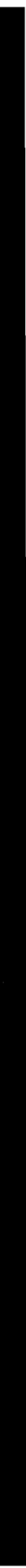
18 MR. THAR: They are included in that?

19 MR. TISCHLER: They are in addition to
20 the figures I just gave you.

21 MR. THAR: What do the platforms cost?

22 MR. TISCHLER: I believe the --

23 MR. TOMBARI: I think the total railroad



1 package is in the neighborhood of about \$25
2 million. That's about an eight million dollar
3 increase, I think, from that submitted as part of
4 our original application. It primarily relates to
5 having more information, the doubling, adding the
6 additional trackage, and just knowing more about
7 the platforms and such. So it's very significant,
8 as I think it was pointed out by Mr. Hlavsa during
9 the presentation, it's a very significant
10 infrastructure package.

11 MR. THAR: I am unable to find where that
12 \$25 million is in your preliminary cost estimate
13 slide.

14 MR. TOMBARI: I think as part of our
15 development plan you will see roughly fifteen
16 million of infrastructure costs.

17 MR. THAR: I see 15.4 in improvements.

18 MR. TOMBARI: Okay.

19 MR. THAR: One million land
20 improvements, 15.4 in improvements, 23.1 in off
21 site.

22 MR. TOMBARI: And then is there a number
23 there for trains and trolleys?

1 MR. THAR: No, not in the, not on that
2 one.

3 MR. TOMBARI: Oh, that's because it
4 doesn't include equipment. There's also a total
5 trains and trolleys cost of about \$9 million. So
6 what you have is roughly your fifteen of
7 infrastructure cost and about nine million
8 relating to, or nine million which includes some
9 of the platforms and the trains and trolleys.
10 About twenty-five million total costs to do this
11 railroad system.

12 MR. SUNDWICK: Could you have captioned
13 it "other"?

14 MR. TOMBARI: No, I'm sorry. That, that
15 presentation was only infrastructure improvements
16 and does not include all the above-ground
17 improvements, such as the bridges and platforms,
18 and does not include the trains and trolleys.

19 MR. VOWELS: How much is construction,
20 then? I mean, I see here the 13.7 number that we
21 were just told about construction and I see on
22 this chart that you gave us railroad
23 infrastructure, 13.7.

1 MR. TOMBARI: Yes.

2 MR. VOWELS: So is that correct, then?

3 MR. TOMBARI: Yes. I think that's what
4 Mr. Tischler just testified to.

5 MR. VOWELS: And is that construction,
6 the tracks? Because I want to know what it is for
7 construction and I want to know what it is for the
8 trains, so separate those out.

9 MR. TISCHLER: The answer is yes, the
10 13.7 is the construction for the track, the
11 bridges, the various raising of the elevation of
12 the track, switches, and for the shuttle.

13 MR. VOWELS: Okay. And then how much is
14 the train?

15 MR. TISCHLER: The preliminary cost
16 estimates that I have in front of me on this
17 printed sheet, which I understand you have, says
18 9.2, nine million two hundred thousand.

19 MR. VOWELS: So that's where you get the
20 twenty-five? 9.2 million, is that what you said?

21 MR. TISCHLER: (Nods head.)

22 MR. VOWELS: You had said earlier four
23 million. Is that incorrect?



1 MR. TOMBARI: Yes, incorrect.

2 MR. VOWELS: And that's for the cars and
3 the engine?

4 MR. TOMBARI: All trains and trolleys.
5 I think it also includes the system whereby if
6 there were 5,000 cars or 4,000, 4500 cars parked
7 at the facility, it also has an off-site -- or
8 not, a little shuttle that will run from the most
9 distant parking places across U.S. 50 into where
10 the valet area is at the land-based improvements.
11 So it includes a few other things other than just
12 the trains and the trolleys.

13 MR. VOWELS: When you say " trolleys"
14 you mean --

15 MR. TOMBARI: All the trains and
16 everything.

17 MR. VOWELS: The wheels that go on the
18 ground?

19 MR. TOMBARI: Its moving -- rolling
20 stock, I think is what they call it.

21 MR. VOWELS: All right. And I assume
22 the trains will be air conditioned on the inside
23 and all that stuff?

1 MR. TISCHLER: Of course.

2 MR. TOMBARI: We would like to think
3 that when you arrive at the Lady Luck project
4 that, if you're going downtown, that the
5 entertainment part doesn't start when you get
6 there. We have costuming and theming where people
7 and the conductors and such will make it so
8 actually the entertainment starts when you board
9 that train. And, so, there's entertainment, of
10 course, at the land-based portion, and this is not
11 just a dead shuttle system that you have to do.
12 What we are trying to do is create the
13 entertainment from a system that is trying to
14 solve a very complex development problem, as we
15 previously discussed.

16 MR. SUNDWICK: Where are you going to put
17 this golf course? What was your term for it,
18 Adventure Golf or something?

19 MR. FEDORCHAK: If I might go over to
20 the model?

21 MR. SUNDWICK: Sure.

22 MR. FEDORCHAK: Adventure Golf, as we
23 term it, is a very sophisticated par three giant



1 miniature golf course, and that course is spread
2 throughout and around the water park.

3 MR. SUNDWICK: Is it a miniature golf
4 course or is it a par three? I mean, does it have
5 windmills that you kick through?

6 MR. FEDORCHAK: No.

7 MR. SUNDWICK: Then it's a regular par
8 three golf course?

9 MR. FEDORCHAK: Pretty much.

10 MS. BOCHNOWSKI: Wait, wait. But you're
11 just using putters; you are not taking about
12 irons?

13 MR. FEDORCHAK: Putters and a shifter.

14 MR. SUNDWICK: So it's green, it's
15 grass?

16 MR. FEDORCHAK: Yes.

17 MR. MILCAREK: How many acres will that
18 be?

19 MR. FEDORCHAK: About 4 acres.

20 MR. VOWELS: What are the red things
21 here? Are these buses or something?

22 MR. FEDORCHAK: This is part of the
23 recreational vehicle park.



1 MR. VOWELS: Okay. Those are RVs; all
2 right.

3 MR. FEDORCHAK: Correct.

4 MR. SUNDWICK: Somebody commented that
5 there would be rail service or a possibility of
6 rail service from Cincinnati and from
7 Indianapolis; is that true? I mean, did I hear
8 that right?

9 MR. WATT: Bill Watt, Watt Information
10 Services. First Cincinnati. The concept of
11 having excursion or commuter service from
12 Lawrenceburg to Cincinnati is feasible. Two
13 things make that so: First, the Central Railroad
14 owns the track into downtown Cincinnati, so you
15 have a route. The second thing that contributes
16 to feasibility is you need a magnet. It's just
17 like the example I used with the South Shore.
18 People have to have a destination that captures a
19 number of people. By having the hotel terminal as
20 the gathering point for people going to the
21 riverboat, we create that magnet.

22 Meanwhile, Cincinnati and the State of
23 Ohio have been actively looking at a number of

1 local commuter projects involving mass transit and
2 rail. The State of Ohio and the freight railroad
3 serving Cincinnati recently entered into an
4 arrangement to make improvements to freight routes
5 in Cincinnati for environmental reasons. So
6 there's a considerable interest in the Cincinnati
7 area. So I would think that the initial phase
8 would be to look at the market, because markets
9 are what drive these. Now that you have the
10 route, start with excursion trains and build to
11 commuter.

12 With respect to going north, the Central
13 Railroad operates a line toward Indianapolis.
14 When Union Station was being developed here a
15 number of years ago, there were a number of
16 studies and analyses done about how you would
17 develop excursion trains around Indianapolis. The
18 numbers didn't show the density, but, again, now
19 you have a magnet because you have this eight
20 thousand on average or more people a day. So we
21 ask where is the logical point at the north end
22 and is the customer demand there for it, and it's
23 clearly the kind of thing that deserves a look.

1 I would expect the Cincinnati phase of
2 it to be more aggressive and more rapid, and also,
3 because as this process goes forward, people begin
4 to see the potential value of commuting on a rail
5 line in addition to the excursion, much as has
6 happened on the South Shore many years ago.

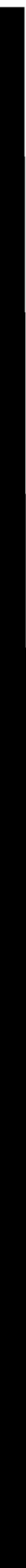
7 MR. THAR: My memory of being in
8 downtown Lawrenceburg, it didn't look like there
9 was enough room among the railroad tracks to build
10 platforms like are illustrated in that far model.

11 MR. KLINEMAN: And to add an addendum,
12 it certainly looks like that would dominate
13 downtown Lawrenceburg if the scale is any place
14 close to correct.

15 MR. FEDORCHAK: We've had surveys and
16 profiles of both the levees and the total right of
17 way of the railroad, and there is, in fact, enough
18 room to do what we are doing without interfering
19 with the levees as they exist.

20 MR. THAR: How about with the other
21 railroad tracks?

22 MR. FEDORCHAK: The other railroad
23 track --



1 MR. THAR: If I remember, there's two or
2 three sets, weren't there?

3 MR. FEDORCHAK: There's three sets of
4 tracks. This outer track is what the freight line
5 will use a couple of times a day. So there is a
6 three track configuration.

7 MR. SUNDWICK: That's CSX?

8 MR. TOMBARI: No. The CSX tracks are
9 actually up about a block and a half or two
10 blocks. If I may step up. As they go through
11 town, and, of course, this is, they are up here
12 further and again what we are, what we believe is
13 that to get access to downtown here, these tracks
14 are all at grade. And as I described those trains
15 backing up, I don't know if any of you have had to
16 sit through them, but it's usually about a 10 or a
17 15 minute wait trying to get into downtown
18 Lawrenceburg from Walnut Street.

19 And to the extent that a developer would
20 like to put a boat down here, a temporary boat or
21 a permanent boat, they will have to figure out how
22 to get by these trains. As I also told you, CSX
23 indicated to us that between ten and sixteen

1 trains per day run through there and they do
2 expect an increase in freight. They are servicing
3 Seagrams.

4 MR. KLINEMAN: So, plus an addendum to
5 that, when you get downtown what do you have
6 there? You have the tracks where the people will
7 get off the train and then I guess do you have
8 anything in that area at all or do you then get
9 onto this barge-type thing? Please explain that.

10 MR. FEDORCHAK: Yes. There are three
11 platforms. Again, we exit on one side and depart
12 on the other (sic). At the intersection of each
13 of these platforms, there's a structure which
14 houses escalators and elevators. This last tower
15 is an elevator tower which permits visitors to get
16 into town uninterrupted by rail traffic. As you
17 come up to the escalator and/or elevator, you
18 cross this bridge and you enter the entertainment
19 barge. And, of course, this would be a flexible
20 connection which would adjust to the height of
21 the river. And then from there, from the lower
22 level of the barge, you enter the boat.

23 MR. KLINEMAN: What is on the barge?



1 MR. FEDORCHAK: The barge is made up of
2 services for the boat: water storage, drygood
3 storage, offices, change areas for employees, two
4 lounges, a small entertainment stage kind of
5 activity, and a restaurant.

6 MS. BOCHNOWSKI: Having that barge, does
7 that put you too far out into the river --

8 MR. FEDORCHAK: No.

9 MS. BOCHNOWSKI: -- and cause danger?

10 MR. FEDORCHAK: No, it does not.

11 MS. BOCHNOWSKI: How large is that barge
12 also when, whoever comes to answer that?

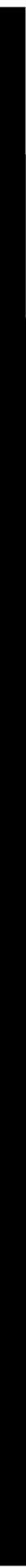
13 MR. TOMBARI: The barge is roughly 500
14 feet long and roughly 100 feet wide.

15 MS. BOCHNOWSKI: So it's about the same
16 width as the boat would be?

17 MR. TOMBARI: About the same width as
18 the boat, yes.

19 MR. JUDD: Bill Judd from Judd Marine
20 Services, marine consultant.

21 The extension there is not anything
22 that's really of a concern. And in the site risk
23 analysis, which I think you have there I prepared,



1 it shows that the extension by the size of the
2 facility, the floating facility, is not an
3 extension that would be enough to cause any
4 problem or any concern in my opinion.

5 There was a fleeting area just above
6 there of some size that's now an inactive permit
7 that was almost the same distance out as would be
8 the Lady Luck Lawrenceburg facility, and
9 immediately below them is the Indiana-Michigan
10 Tanner's Creek plant which has a real large
11 extension of river work which actually sets the
12 sailing line and the channel line in that area.

13 MR. HAWKINS: I'm Dr. Darroll Hawkins
14 with Commonwealth Technology. I guess for the
15 record I am the immediate past chief of the north
16 section for permitting for the Louisville board
17 that handled Indiana.

18 And one of the things that the Corps
19 does, and I'm sure you will hear this from them,
20 is that when they assign projects, they've got
21 three basic types of project reviewers: engineer,
22 biologist, and technician. When they are really
23 concerned about structural modifications or

1 engineering things, it gets assigned to an
2 engineer; when they are concerned with
3 environmental or ecological, it goes to the
4 biologist; if it's procedural, even as complicated
5 as this but doesn't require any engineering or
6 biological expertise, then they turn it over to a
7 technician.

8 And in this case, when this one came in,
9 it was given preliminary review and assigned to a
10 technician. So you can't really base a whole lot
11 on that because you still have to go through the
12 process, but the preliminary idea from the Corps
13 is this was not a particularly burdensome site in
14 terms of the location of the facility or the
15 projection into the river.

16 MR. KLINEMAN: Last time we saw you was
17 in Evansville, wasn't it?

18 MR. HAWKINS: No, sir. It was with
19 Switzerland County and Ohio County.

20 MS. BOCHNOWSKI: Okay. As long as we
21 have you up here and you have some expertise in
22 this area. I assume, then, that for the
23 applicants who were looking at the conservancy

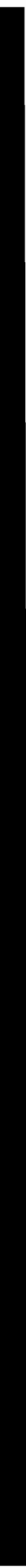


1 district, that they assign a biologist to those
2 areas?

3 MR. HAWKINS: Yes, ma'am. I believe
4 that's correct. The three facilities that are
5 going in there.

6 MS. BOCHNOWSKI: In your opinion is
7 that, are those a done deal? Is that going to be
8 an easy permitting process in that conservancy
9 district? I'm sure you will say no, but if you
10 could kind of try to give me an honest opinion.

11 MR. HAWKINS: It really goes back to, as
12 people have before, with time and money you can
13 normally get to a situation where you can justify
14 the project. There is some fairly onerous hurdles
15 that you have to get over when you're involved
16 with wetlands, but those things can go out over
17 time by providing enough mitigation or showing
18 enough need, and it goes back to the needs
19 analysis of what the Corps does. And, basically,
20 as long as you can resolve the objections from
21 U.S. EPA and U.S. Fish & Wildlife, which is two of
22 the major players with the Corps, if you provide
23 enough mitigation, yes, you can get into those



1 areas, but they are not normally quick decisions
2 and normally do take quite a bit of time.

3 MS. BOCHNOWSKI: Also, now, I realize
4 that the river isn't quite like Lake Michigan, but
5 a number of our applicants have shown areas where
6 the boats will actually be cut into the shoreline
7 for a little more protection. Do you feel that
8 this is enough protection for that boat in bad
9 weather, let's say?

10 MR. HAWKINS: Okay. What you're really
11 dealing with is flood conditions, and you've got
12 two primary concerns: One is the pool
13 fluctuation. In this case our design that's gone
14 into the Corps has the entertainment facility
15 actually tied to two sails that are actually
16 driven down and embedded in the river. In some
17 pictures they look like lighthouses on either end
18 of the entertainment facility. We call this a
19 captive barge in that the barge is actually
20 attached to a rail that allows it to float up and
21 down, and then you have to actually design that
22 sail so that it's able to carry the weight that
23 may come from currents that are going to be



1 washing against the boat on either side.

2 The second thing that you have to be
3 concerned with is drift building up and getting
4 pressure behind the vessel that would push it out
5 into the river. And, again, our application
6 contains what's called a drift deflector. Lady
7 Luck got in touch with us because we are the
8 environmental consultant for ACL, American
9 Commercial Lines, and we do most of their
10 environmental work, and, of course, they are based
11 here in Jeffersonville, Indiana, and that's
12 typical of what we put on their facilities to
13 maintain their transfer points at their terminals.
14 You just put in a drift deflector which keeps the
15 drift moving down the river.

16 The boat itself is going to be in
17 operation. It can be moved. We can also, if we
18 feel like it needs to stay in place, that drift
19 deflector, they can have one to extend over that
20 that will again allow the drift to slide past, and
21 it's a fairly standard construction. When you dig
22 back in, the biggest problem you run into is
23 maintenance and keeping that cleaned out from the

1 pool rising up and down and bringing in silt. So
2 we recommended against that because of that.

3 MR. MILCAREK: Is this in a location
4 where barge traffic would, say a breakaway barge
5 or something like that, would crash into this?

6 MR. HAWKINS: Captain Judd has really
7 looked at that and did a risk assessment on that,
8 and it would probably be best if he would answer
9 that.

10 MR. JUDD: In the risk assessments part
11 of the package, which you all have here, the
12 cruise records and Corps records were looked at
13 very carefully, and the incident there of marine
14 incidents has been very, very slim, and I've
15 detailed it in some quantity there for you.
16 There's only been one breakaway in the study area,
17 which included about a four or five mile stretch
18 of river, there's been only one breakaway in the
19 last ten years that was documented. Again CDI's
20 drawings for the dock itself, the drift deflector
21 and the sail, which has just been described to
22 you, also act as a collision avoidance-type system
23 in case a breakaway barge came down toward the

1 facility.

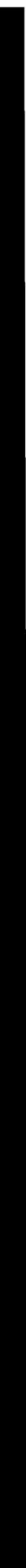
2 MR. MILCAREK: Would that have to be
3 some huge structure?

4 MR. JUDD: It is a rather large
5 structure that's designed here. The sail itself
6 and the drift deflector are rather substantial
7 pieces of equipment that are designed to take
8 tremendous load and impact. I was very satisfied
9 with CDI's design as far as both breakaway barge
10 deflection, drift, and ice, which hasn't been
11 mentioned, but even as an ice deflector.

12 MR. VOWELS: About the temporary boat,
13 did you say you had one available now?

14 MR. SCHNEIDER: Dr. Tom Schneider,
15 Riverboat Management.

16 We have been helping Lady Luck. I
17 believe in your original package we had a design
18 for a Jeff Boat-built boat and then for a
19 temporary boat which is now being constructed for
20 Lady Luck at Service Marine. It's a 254 by 78
21 foot vessel. It carries 1650 passengers, 275
22 crew. Gaming positions 1300, gaming square feet
23 about 24,000. That would be the temporary boat.



1 We have a letter of intent with Jeff Boat to build
2 a permanent vessel at Jeff Boat.

3 MR. VOWELS: Okay. The letter of intent
4 that I saw was dated March 18th of '94. Is that
5 the letter of intent you are referring to?

6 MR. SCHNEIDER: Yes. That was the
7 letter of intent for the size of the vessel that
8 we contemplated at that particular time.

9 MR. VOWELS: What is the size of the
10 vessel?

11 MR. SCHNEIDER: The new vessel?

12 MR. VOWELS: Uh-huh.

13 MR. SCHNEIDER: The new vessel that we
14 contemplated, and this is based on our experience
15 as the operator of the Elgin, which at this point
16 in time, along with Lady Luck's Bettendorf boat,
17 these are the two largest cruising vessels,
18 riverboat gaming vessels in the United States.
19 That boat will be 430 by 108. 108 is the maximum
20 we can take through the locks at Madison to get up
21 here. It's a 110-foot lock and it will take a
22 108-foot boat. It's an overall 108-foot beam; not
23 the water line width but it's the overall width.



1 That will carry 3,000 passengers, 500 crew, 60,000
2 square feet of gaming, 2500 gaming positions. It
3 gives us about 24 square feet per gaming area.
4 And, again, with that letter of intent with Jeff
5 Boat that's . . .

6 MR. VOWELS: Is the letter of intent
7 based upon another, an earlier boat of different
8 specifications?

9 MR. SCHNEIDER: That was based upon a
10 Jeff Boat specification. When gaming first
11 started, Jeff Boat came up with a design for the
12 Robert E. Lee, which is basically --

13 MR. VOWELS: My question is: Is it
14 still binding?

15 MR. SCHNEIDER: As far as we are
16 concerned, yes, sir.

17 MR. VOWELS: And is it your intention to
18 use an Indiana boat builder?

19 MR. SCHNEIDER: Certainly, yes. We
20 used those numbers in our economic analysis.

21 MR. VOWELS: Okay. And are you in
22 negotiations with any other boat builders?

23 MR. TOMBARI: No. We have the, one of



1 the temporary boats that would be contemplated is
2 being built by Service Marine, as Mr. Hlavsa
3 alluded to in the presentation.

4 MR. VOWELS: Where is that boat?

5 MR. TOMBARI: It's in Louisiana, Morgan
6 City, Louisiana. But for the permanent riverboat,
7 Mr. Schneider has done the discussions and
8 specking with Jeff Boat. We've considered no
9 other builder. We are not bidding it out. We
10 hope that Jeff Boat and we are convinced that Jeff
11 Boat and hope that Jeff Boat and us come to a
12 reasonable price in terms of the boat and the
13 specs and the like.

14 MR. VOWELS: Superior Boat Works. Are
15 you familiar with that place? Superior Boat
16 Works, I assume in Mississippi.

17 MR. TOMBARI: Yes.

18 MR. VOWELS: There's a bankruptcy that
19 they are going through down there and they've sued
20 Lady Luck Mississippi. Are you familiar with that
21 lawsuit?

22 MR. TOMBARI: Yes.

23 MR. VOWELS: Okay. What, what does

1 Superior Boat Works do?

2 MR. UBOLDI: Superior Boat built the boat
3 that we have in Natchez. At the time that they
4 built the boat, we had a contract with them for a
5 certain amount, six million four, and they went
6 bankrupt after that, so they asked for more money,
7 which we didn't want to pay.

8 MR. VOWELS: Did they finish building
9 the boat? Did they deliver it to you?

10 MR. UBOLDI: Somewhat finished, yes.
11 They finished building the boat. We had to do
12 quite a lot of work afterwards, but they finished
13 the boat.

14 MR. VOWELS: They show in the bankruptcy
15 that you are partially responsible. Do you have
16 some responsibility for their financial failure?
17 And what is that based upon, their claim that you
18 owe them money, additional money?

19 MR. UBOLDI: Yeah, they claim that we
20 owe them additional money and we owe also a
21 subcontractor additional money. Both of them sue
22 us. We settle the suit with the subcontractors,
23 and I would say that we are in the process of

1 settling the suit with them.

2 MR. VOWELS: All right. Do you recall
3 what that boat, what the agreement was for the
4 cost of that boat originally?

5 MR. UBOLDI: Originally it was cost
6 plus, but after a while, probably a few months
7 before, a couple of months before the boat was
8 finished, we made a contract with them to pay six
9 million four with the boat. It's a barge, yeah,
10 it's not a boat.

11 MR. VOWELS: All right, okay, yeah.

12 MR. MILCAREK: Did you take delivery of
13 that boat or that barge?

14 MR. UBOLDI: Yes, we did, yeah. That's
15 the one you've seen in Natchez. It was the first
16 boat we built.

17 MR. SUNDWICK: You show -- the financial
18 officer might want to talk about this. You show a
19 revenue drop over a five-year period in your
20 presentation. Why?

21 MR. HLAVSA: Michael Hlavsa, Lady Luck
22 Gaming Corporation. It's been our experience as
23 markets mature that there is a slight revenue drop

1 over time.

2 MR. SUNDWICK: Did you take into
3 consideration -- you didn't make the slides since
4 Friday, I don't think. I'm sure you had this.
5 Are you expecting probably, like everybody else,
6 that there could be two boats in Dearborn County?

7 MR. TOMBARI: The projections which we
8 actually completed I think last November, in fact
9 they were done specifically after the various
10 referendums, after November 8th, and of course
11 subsequently submitted to SPEA when they started
12 asking us additional questions, presumed two
13 things: Number one, there's another boat located
14 to the south of Dearborn County. We had never
15 presumed there were going to be two boats in
16 Dearborn County because in our opinion there is no
17 other place for a boat in Dearborn County. We did
18 anticipate and it does presume that there is
19 another boat in Southeast Indiana and also it does
20 presume that there is gaming in West Virginia
21 which tends to corrupt a little bit of the market
22 coming down from Columbus, Ohio.

23 MR. SUNDWICK: At the same time you also



1 show a operating margin drop, so your expenses are
2 going up and your revenues are going down. What
3 would cause that?

4 MR. TOMBARI: Basically --

5 MR. HLAVSA: Historically it's been our
6 experience that operational costs do go up due to
7 inflation, due to raises for employees, and your
8 operational efficiencies can counteract that to a
9 degree. However, reality is that your operating
10 margins are going to decrease over time as you
11 expend more marketing costs and your operating
12 costs go up due to inflation.

13 MR. SUNDWICK: Is that normal in the
14 gaming business that people lose operating --

15 MR. HLAVSA: Yes, they do, unless they
16 add additional amenities or additional reasons to
17 expand the margin.

18 MR. VOWELS: It shows here that on
19 September 9th of 1993, that the initial public
20 offerings of public shares were at \$16 a share and
21 then during 1995 that it's been trading at less
22 than \$3 a share. What's the book value of the
23 stock now?



1 MR. HLAVSA: The book value of the stock
2 is approximately 55- to \$60 million.

3 MR. KLINEMAN: Per share?

4 MR. HLAVSA: The stock has been trading
5 at a little less than \$2, a dollar eighty eight, a
6 dollar ninety-four.

7 MR. KLINEMAN: Book value per share?

8 MR. HLAVSA: Oh, the book value per
9 share is approximately the same as the market
10 value per share.

11 MR. VOWELS: A dollar ninety?

12 MS. BOCHNOWSKI: That's the book value?

13 MR. HLAVSA: Yes, yes.

14 MR. KLINEMAN: While we're into
15 financing, we have no evidence that you have any
16 financing in place, either equity or debt, and
17 that is of great concern. We also, of course,
18 have a copy of your independent audit from
19 December of '94 which has a qualified opinion, I
20 think, based upon the fact that some of these
21 notes that you have outstanding, there is a call
22 to the holders -- well, I always get those mixed
23 up. The holders can say "pay me". Do you want to



1 tell us where you are today, what's happening with
2 the company, what means do you have to finance
3 this project?

4 MR. HLAVSA: I would be happy to. Let
5 me first refer to our December 10K that does have
6 a qualified opinion from our independent auditors.
7 That opinion is specifically related to the
8 technical defaults of those notes. We missed a
9 network covenant, and consequently the bond
10 holders have a right to ask us for approximately
11 60 and a half million dollars. We do not intend
12 to pay that. We are currently in negotiation with
13 our bond holders, specifically tomorrow morning
14 there is a meeting with our bond holders in New
15 York, and we expect that that situation will be
16 resolved fairly quickly. Our bond holders
17 understand the importance of the continued growth
18 and development of our company. They have been
19 extremely cooperative with us to date.

20 MR. VOWELS: But you say you do not
21 intend to pay that?

22 MR. HLAVSA: That's correct.

23 MR. VOWELS: That means if they want you



1 to pay it, you won't pay it?

2 MR. HLAVSA: We are obligated to make an
3 offer, which we have not done; therefore, we are
4 technically in violation of that covenant. And we
5 are asking the bond holders for a consent to waive
6 that portion of the covenant, which means we would
7 not have to offer them or pay them the 60 and a
8 half million dollars.

9 MR. VOWELS: So technically you are in
10 default. Do they have to give you written notice
11 that they are demanding or calling that in?

12 MR. HLAVSA: Yeah, I'm not sure. There
13 are obviously notices on both sides; correct.

14 MR. VOWELS: My understanding is they
15 would, for it to be in default, they would have to
16 give you written notice they are calling it in and
17 give you an opportunity to straighten it out, and
18 my question is: Has there been any written notice
19 from them?

20 MR. HLAVSA: No, there has not.

21 MR. KLINEMAN: That's important, but
22 tell me how you ever expect to raise additional
23 moneys for a project like this if you are in



1 default? Even if you renegotiated some
2 combination with your present bond holders, it
3 certainly isn't going to look good on the credit
4 standing of the company.

5 MR. HLAVSA: The credit for the existing
6 bond holders is the existing operations and
7 physical assets of the Lady Luck properties that
8 now operate. That is substantial enough credit
9 for the bond holders. The bond holders have not
10 asked us for additional credit in negotiations
11 with them. This project --

12 MR. KLINEMAN: But it was the other side
13 of the coin. I mean, you are in default on a
14 group; and even if you negotiated with them, how
15 could you go to the markets and get any equity or
16 debt commitments?

17 MR. HLAVSA: It's easy. This project
18 will be a stand-alone project and credit for the
19 debt on this project will be specifically rated to
20 this project and not to the other Lady Luck Gaming
21 Corporation assets.

22 MR. KLINEMAN: Well, you know, we're
23 back to if we give somebody a certificate, they



1 can raise the money. That is not something that
2 this commission has thought to be a good policy.

3 MR. HLAVSA: Okay. I understand that,
4 and I cannot stand before you today and say I have
5 commitment letters from investment bankers that
6 say they can raise it. Obviously we've had
7 discussions, and I don't think you need another
8 expert opinion from an investment banker. You've
9 already had a few through these days here.

10 I can tell you that there has been a
11 tremendous amount of interest in these projects.
12 We have had preliminary agreements with fairly,
13 fairly substantial individuals who have no problem
14 raising this. And I can stand before you today
15 and tell you less than 72 hours ago there was a
16 nationally recognized gaming company that offered
17 to provide a letter to you saying, and this gaming
18 company has over \$170 million in cash today, that
19 they would fund the equity portion of \$50 million
20 in this project.

21 But in the event of time, I could not do
22 a definitive agreement and stand before you and
23 tell you the that the integrity of this project



1 will remain intact by a proposal letter from a
2 company. I don't believe finances will be a issue
3 in this project. I've tried to demonstrate that
4 Lady Luck on its own, without third parties, could
5 provide equity for the initial phase of this
6 project, and years to come no one will remember
7 whether bank of America of America or Consecro or
8 who financed the project. What they will remember
9 is how the infrastructure affected Lawrenceburg
10 and how the environment was affected by this
11 project.

12 MR. KLINEMAN: Or they will remember it
13 didn't get done. That's my problem.

14 (Laughter.)

15 MR. HLAVSA: I don't think anyone that's
16 been before you will tell that projects will not
17 get done.

18 MR. VOWELS: All of your subsidiaries,
19 except Bettendorf, are operating under restricted
20 subsidiaries that are subject to the covenants of
21 this, aren't they?

22 MR. HLAVSA: That's correct.

23 MR. VOWELS: Why would we think this



1 would be any different?

2 MR.HLAVSA: This has always been
3 designated as an unrestricted subsidiary.

4 MR. VOWELS: The lineup in Mississippi
5 hasn't been too hot, has it, as far as what's been
6 going on down there?

7 MR. HLAVSA: Actually, the market in
8 Mississippi has stabilized dramatically. We
9 operate at one of the most profitable casinos in
10 Mississippi in terms of win per unit and also
11 return on investment. That's our Lady Luck Rhythm
12 & Blues Casino. Out Natchez Casino has paid
13 itself back in cash flow over three times.

14 The only property that we've had
15 currently in Mississippi that is struggling is
16 Biloxi, Mississippi, and that market has also
17 rebounded. That market, very quickly, is a day
18 trip market presently. They are currently
19 handling a number of hotel rooms. Four hundred of
20 them, I think five hundred of them opened up at
21 the end of April and another four hundred will
22 open up in July, and the market has reacted very
23 positively to the room availability.

1 MR. VOWELS: Weren't operations ceased
2 at Lady Luck in Tunica on April 24th, '94, due to
3 poor financial performance?

4 MR. HLAVSA: Yes, they were. And let me
5 explain that. Lady Luck Tunica was the second
6 boat opened in the county. This project, when it
7 opened, was also tremendously successful. In the
8 first three and a half months of operations, it
9 generated cash of approximately \$8 million on a
10 twenty-four million dollar investment. However,
11 as other developments became constructed closer to
12 the destination market, which is Memphis, the
13 operating results of that property did go down
14 substantially, and that's when we moved the assets
15 down to Coahoma County, and now those assets are
16 once again producing tremendous amount of
17 benefits.

18 MR. VOWELS: My understanding is that
19 the Lady Luck Biloxi has become unprofitable
20 during the second half of '94, and if you have
21 sufficient capital available you might relocate
22 that to a better location; is that correct.

23 MR. HLAVSA: That was Biloxi? Yes, yes.

1 In the second half of 1994, the operation results
2 for Biloxi were cash flow negative. We had talked
3 to some people about relocating that vessel to a
4 more advantageous market. At that time we had
5 three opportunities for that vessel: One was an
6 additional site in Coahoma County, where we
7 thought we needed the capacity; another one was
8 Missouri with dock side approval; or a site that
9 we have in Vicksburg, Mississippi. Since that
10 time and since the turn of the, turn of the new
11 year, that property has responded successfully to
12 some marketing programs and is operating cash flow
13 positive.

14 MR. VOWELS: So you don't intend to
15 relocate it?

16 MR. HLAVSA: That's correct.

17 MR. VOWELS: During the period of time
18 when you intended to relocate it, was one of the
19 reasons that you didn't was because you didn't
20 have sufficient capital to relocate it?

21 MR. HLAVSA: That was a consideration,
22 that we needed sufficient capital at the time
23 through the sale of those assets in Biloxi to

1 relocate those facilities.

2 MR. VOWELS: Are we to believe that you
3 could finance this project even though you had
4 insufficient capital to relocate that when it was
5 necessary?

6 MR. HLAVSA: That was at the end of
7 1994. A lot of positive things have happened to
8 the company in 1995. They are currently
9 generating cash in excess of one and a half to two
10 times our interest expense, and we are cash flow
11 positive and have excess cash.

12 MR. VOWELS: What's going to happen with
13 Lady Luck Gulfport?

14 MR. HLAVSA: Lady Luck Gulfport, the
15 project has been stopped. We do have leases for
16 property down there and we are attempting to have
17 someone take over the operating responsibilities
18 for those leases. I doubt whether that project
19 will ever get built under Lady Luck.

20 MR. VOWELS: What's going to happen with
21 Lady Luck Vicksburg?

22 MR. HLAVSA: Lady Luck Vicksburg, right
23 now there is -- we have not marketed that



1 property. We are trying to market that property
2 for a joint venture for a potential sale of that
3 property. We have about \$15 million in that
4 property where we own land, and we have partially
5 completed construction on barges. We have
6 recently received the Army Corps of Engineers at
7 that property, and we could actually begin
8 construction on that at any time; however, we are
9 not going to unless we have a joint venture party
10 who will fund the rest of that project. That
11 project is in a great location in Vicksburg.
12 Vicksburg is still a great market, but we realize
13 that we do not have the resources or intent to
14 complete that project.

15 MR. VOWELS: My understanding is you, to
16 date, spent approximately \$13.9 million to develop
17 that project; is that correct.

18 MR. HLAVSA: That's correct.

19 MR. VOWELS: And the figures we have
20 here show that an additional \$46.1 million would
21 be necessary to complete the construction and
22 commence operation; is that correct?

23 MR. HLAVSA: That's correct. It's

1 approximately a sixty million dollar project, and
2 that includes a 250 room hotel.

3 MR. VOWELS: Now, in reference to the
4 earlier locations we were talking about, and you
5 had told me that due to increased competition that
6 that was the primary cause of the financial
7 problems, did you not anticipate that future
8 competition would come about in the State of
9 Mississippi?

10 MR. HLAVSA: We underestimated how
11 quickly the growth could happen in the State of
12 Mississippi, which is operating in a relatively
13 unregulated -- not unregulated, an environment
14 that there is not any limitation as to the number
15 of facilities.

16 MR. VOWELS: I don't have any other
17 questions at this time.

18 MR. THAR: Central City operated with a,
19 in the negative last year, 1994?

20 MR. HLAVSA: No, it didn't. It was cash
21 flow positive last year in 1994.

22 MR. THAR: Central City was?

23 MR. HLAVSA: (Nods head.)

1 MR. VOWELS: If you receive a license
2 here, what guarantee do we have that if it is
3 profitable here that you wouldn't use those
4 profits, drain them from here to prop up these
5 faltering operations in other jurisdictions?

6 MR. HLAVSA: Currently there are no
7 faltering operations in other jurisdictions.

8 MR. VOWELS: Okay. Whatever you want to
9 call them. Let me just start over so we don't
10 jump around with that.

11 The operations in Mississippi that we
12 just spoke about. They need help; okay? The
13 point is: If you make money here, will you take
14 that money and put it down and prop up those
15 operations? And, if the answer is no, what
16 assurances do we have that that won't happen?

17 MR. HLAVSA: The answer is no. Those
18 properties do stand on their own presently, and
19 this property has a development plan that a
20 significant portion of the cash flow of operations
21 will be reinstituted back into this development
22 plan until it reaches its full maturity, which I
23 believe is in year five.

1 MS. BOCHNOWSKI: You can imagine how
2 troubling it is to hear that you started a
3 project, put a certain amount in, and have not
4 been able to complete it and need more money and
5 are now looking for a partner and so on, and we
6 would hate to have something here in Lawrenceburg
7 or in Lawrenceburg get started and then start to
8 flounder and you have to go out and look for a
9 partner. This is very disconcerting to hear, to
10 see those kind of things going on and to see
11 movement, operation closing down. That's very
12 troubling.

13 MR. HLAVSA: Let me comment on a couple
14 of different things. One is the company, in 1993
15 and the first part of 1994, was one of the most
16 aggressive riverboat companies in the United
17 States. What we did is we started a number of
18 projects simultaneously believing that we could
19 finish them out. Now we've learned a very
20 valuable lesson, which we said in August of '94 we
21 are concentrating on one project at a time.
22 That's exactly what we did with Bettendorf, Iowa.

23 In August of 1994, we suspended any cash

1 requirements for any of the other properties that
2 we have, including Tunica where we joint ventured
3 that project with Bally's, and have concentrated
4 our resources on one project at a time. There are
5 no cash requirements necessary for any of the
6 other projects. In Missouri, we have a project in
7 Missouri that we are waiting for licensure on. We
8 have letters of intent with partners that requires
9 us not to put any more additional funds into this
10 project.

11 So there are no other projects that this
12 company is committed to and, therefore, the
13 resources of this company can be put totally
14 behind this project. With respect to closing of
15 Tunica, we knew when we went into Tunica that
16 other casinos were going to be developed closer to
17 Memphis. In reaching our lease agreement with our
18 landlord, we had a 30-day notification, and we,
19 with full intent, put two facilities there that
20 floated. We had a restaurant barge and a casino
21 barge. Both of them floated and were able to be
22 taken out of that site. So the only thing we
23 underestimated was how quickly the other

1 developments could be built in that market.

2 MR. TOMBARI: Also a little, a story we
3 can share with our partners with Bally's. When
4 most of the financing was done for the project,
5 the initial Tunica project at Moon Landing, there
6 were various assurances given that in Tunica
7 County the Moon Landing project, which was going
8 to have about six or seven gaming facilities,
9 would be the closest one to Memphis, that the
10 commission would not allow licenses being closer
11 to Memphis. Various members changed around after
12 that, and that's what happened to Tunica. And now
13 I believe there's no boats operating in Moon
14 Landing. I think, I don't know if Splash is still
15 open or not, and you have everyone else moving
16 closer to the north. So the market dynamics
17 changed so quickly by virtue of the political
18 process.

19 MS. BOCHNOWSKI: We have heard that
20 before.

21 MR. HLAVSA: And understand there were
22 some significant operators in that market, not
23 only us but Bally's and Jack Pot operating in that

1 area, and all of whom have closed due to
2 occurrences.

3 MR. THAR: Is this Lady Luck's second
4 time in Bettendorf?

5 MR. HLAVSA: No, it's not.

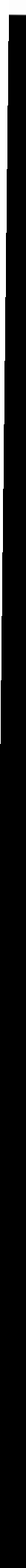
6 MR. THAR: You were not there earlier?

7 MR. HLAVSA: We were not. Our joint
8 venture partners who own the land that's leased in
9 connection with this project is the Goldstein
10 family. The Goldstein family is associated with
11 Casino America who did have the Diamond Lady in
12 Bettendorf. And, actually, when Iowa -- when
13 Illinois opened up gaming, Iowa became a very
14 difficult place to operate, and they did move
15 those facilities down to Mississippi.

16 MR. THAR: You were not involved at that
17 time, though, when they left?

18 MR. HLAVSA: No, not at all.

19 MR. SUNDWICK: You alluded to earlier
20 that there was, and correct me if I'm wrong, that
21 sometime during the past weeks that you had a
22 letter from somebody about or a partner that
23 would --



1 MR. HLAVSA: That's correct.

2 MR. SUNDWICK: Do you have a plan to
3 take your 84 percent ownership and partner that
4 with somebody in the future? Is that part of this
5 financing that you are talking about?

6 MR. HLAVSA: It depends on the type of
7 arrangement, and I can't stand here before you
8 today and tell you exactly what is going to
9 happen. A lot of it depends specifically on the
10 type of financing arrangement it is and whether or
11 not our ownership in this property would decrease
12 through the addition of additional equity
13 partners. If that were to occur, it would not
14 occur, obviously, without the proper approval of
15 the Indiana Gaming Commission and with all the
16 regulatory approvals and understanding of all of
17 you.

18 MR. KLINEMAN: Now, what bothers us is
19 you've had an awful lot of time to make some kind
20 of an arrangement with somebody to give us some
21 feeling that the financial requirements would be
22 met. And as of this moment, as of 11:30 on the
23 21st of June, we still have no assurances.



1 MR. TOMBARI: A significant portion of
2 the time, a portion of the time we were planning
3 on not obtaining additional partners for this
4 project. Another substantial portion of time Lady
5 Luck's projects and Lady Luck was, had kind of
6 offed the market, if you will, because of other
7 larger transactions that were being contemplated
8 by others where we couldn't do anything.

9 So actually we've only sought partners
10 and talked with various people and, of course,
11 since the, when the dates were announced
12 approaching today, which has been in the last,
13 what, you know, three to four months, that is
14 about the time when the one time period ended and
15 we have talked with various individuals, various
16 groups, other gaming companies about the project.

17 MR. SUNDWICK: You have ownership of 84
18 percent and Dearborn Riverboat Express has 9
19 percent. Am I right?

20 MR. TOMBARI: Yes, you are correct.

21 MR. SUNDWICK: Is that what we are going
22 to call a, are we referring to as sweat equity?

23 MR. TOMBARI: Mr. Ewbank, do you want to

1 see how you sweated on this one?

2 MR. SUNDWICK: Now, that's a nifty term
3 so I've been trying to use it.

4 MR. TOMBARI: He's not sweating.

5 MR. EWBANK: Robert Ewbank, Lawrenceburg,
6 Indiana. Yes, that is sweat equity. In fact, we
7 had discussions prior to your question of the
8 different companies. Our position is we started
9 this, this was our plan, we contacted the
10 railroad. We were contacted by other companies.
11 Essentially the offer was that we liked the local
12 group, but we don't like this plan because we are
13 going to drive our cars to the railroad. We said,
14 this is our plan and we stand by it. As we stand
15 before you today we say this: If there's any
16 question about the work that we have done to this
17 day, we will put it to binding arbitration.

18 MR. SUNDWICK: Everybody seems to be very
19 defensive about these questions. I just ask a
20 question and everybody's hair stands up on end,
21 and we just want to get on the record who's who
22 and how you got there. I don't care how many
23 people invest in boats, but you can see the



1 reaction when we ask the question. People nearly
2 come unglued around here.

3 MR. EWBANK: Let me introduce some of the
4 folks we have.

5 MR. SUNDWICK: You don't even have to. I
6 asked the question how did you get involved and
7 you answered it, sweat equity, and I don't think
8 you have to defend that to me. It's on the record
9 now and that's how you got your involvement.

10 MR. TOMBARI: As Bob described in the
11 opening or his opening remarks of our
12 presentation, the local group here, which is
13 twelve leading citizens of Dearborn County, is
14 pretty passionate about this project. And in
15 terms of putting together all the local things,
16 initially contacting the railroad, helping us in
17 terms of legal counsel and such, securing all our
18 land options, all the titles. I mean, when I
19 speak that there is inadequate ownership from some
20 of the other applicants from having the land for
21 the ramp-over, it's because they run the title
22 business in Lawrenceburg and they've done a lot of
23 these things for us because, again, this is not



1 your standard project, it is very complex, and
2 they are very passionate about this project.

3 MR. SUNDWICK: I understand that, I just
4 wanted to say a couple of things. When I ask this
5 question it's for public record. The people of
6 Indiana want to certainly understand who owns
7 these projects, who invested in these projects,
8 how they got involved. And I don't care if it's
9 somebody's brother-in-law. All they have to say
10 is that's my brother-in-law and I gave it to them.
11 That's fine.

12 Next question is: I think you have 1.75
13 percent interest in this, and why I'm interested
14 in this is because they are all ladies. I mean,
15 that's kind of a prejudice issue. I mean, there
16 could be a couple of guys in that 1.75.

17 (Laughter.)

18 MR. TOMBARI: The one problem, we think
19 the world of Dearborn Riverboat Express, but they
20 are all men.

21 MR. SUNDWICK: So you lined up four
22 ladies?

23 MR. TOMBARI: More than that. When we



1 first discussed the ladies group, we were actually
2 discussing a project with them, and this is way
3 before we initially decided to go forward with
4 this project. It was December of '93. We were
5 actually discussing projects with them in Chicago
6 and Michigan City, Indiana. As you know, one of
7 them has a residence over in Michigan City,
8 Indiana. The women's group, which at the time
9 they were also developing some minority and women
10 business programs for Missouri which is required
11 for our application, so we thought that they would
12 be helpful in that regard. The group also
13 provided the, some of our consultants, our legal
14 counsel, they also did analyses related to some of
15 our competitors.

16 The fact of the matter is, yes, they are
17 all four women and the fact is all the people in
18 Dearborn Riverboat Express are males.

19 MR. SUNDWICK: And these are not local
20 ladies? These are from Chicago or someplace else?

21 MR. TOMBARI: Chicago or Michigan City,
22 yes.

23 MR. SUNDWICK: I don't want to call it



1 anything but disequity.

2 (Laughter.)

3 MR. TOMBARI: Initially the, initially
4 the women's group were hoping that we would join
5 them in a project both in Chicago and Michigan
6 City. When we looked at -- and we looked at, of
7 course, all the venues around, Indiana, both up in
8 the north and down along the Ohio River, and we
9 had said that we plan on doing this project and
10 pursuing the license in Lawrenceburg, will you
11 join us for the same reasons, and the same things
12 that you could bring forth in Illinois or in
13 Michigan City you can also bring with us down here
14 in Lawrenceburg.

15 MR. SUNDWICK: I appreciate your candor.
16 Thank you.

17 MS. BOCHNOWSKI: Now, you know, Bob,
18 with all the white men we've seen here, I don't
19 know why you're so upset about four women, but
20 that's okay.

21 (Laughter.)

22 MS. BOCHNOWSKI: Anyway, this group,
23 this local group from Lawrenceburg, let's get back

1 to them. You say that they are prominent people
2 in Lawrenceburg and so on, but yet I got the
3 distinct impression as we were taking our tour of
4 Lawrenceburg that the City, the City did not, I
5 mean, the officials of the city, did not really
6 think much of this location and your idea of
7 shuttling people on trains. I mean, I really got
8 that clear impression.

9 So why is it that you haven't been able
10 to, to come to some kind of agreement or convince
11 them that this is best or why haven't they been
12 able to convince you that this is not the best?
13 Why aren't you working together, if you are
14 prominent citizens?

15 MR. EWBANK: One of the things is that we
16 were here when riverboat gaming came to town and
17 we will be there afterwards. Most of the city
18 council has been defeated in the primary. We
19 believe that we received the endorsements of the
20 past director of the chamber of commerce, the
21 Sierra Club. Most of the people that we talked to
22 like our plan the best because it leaves them
23 alone.



1 I can only speculate, and I will not
2 speculate, as to why we didn't get the city's
3 endorsement. But I, quite frankly, I get along
4 fine with all the councilmen and the mayor and I
5 will get along with their successors also.

6 MR. KLINEMAN: I'm not too sure the
7 mayor thinks he's going to have a successor right
8 now.

9 (Laughter.)

10 MS. BOCHNOWSKI: Have you had
11 conversations with them about this location and
12 what's going on here?

13 MR. EWBANK: Yes, we have.

14 MR. KLINEMAN: I mean there seems to be
15 a completely different point of view.

16 MR. EWBANK: I think there's a lot of
17 petulant grouching between the different
18 jurisdictions, Greendale, Lawrenceburg, Aurora,
19 and Dearborn County. Historically why haven't
20 they got along? It goes back to rivalries between
21 football teams. Now we have a situation where we
22 are talking about money.

23 MR. TOMBARI: I will speculate in terms



1 of the endorsement. Remember that we, we made a
2 conscientious decision to not opt to lease the
3 land that the City was proffering, and maybe where
4 the rubber meets the road is how much revenues or
5 how much money can go into various governmental
6 entities.

7 Another reason about the endorsement, of
8 course, well, as you may know, is that virtually
9 all of the land-based improvements are not located
10 in the City of Lawrenceburg. They are located out
11 near the town of Greendale. So all occupancy
12 taxes and ad valorem taxes, they wouldn't be
13 benefiting from them.

14 We were virtually guaranteed to not get
15 the endorsement, because if you are not going to
16 ground lease, they are not going to get a lot of
17 the money. So we had virtually a lock on not
18 getting endorsed, in my humble opinion as an
19 outsider. However, we did go through with the
20 City, and they can, I'm certain, testify tomorrow
21 in terms of the relationship that we had and in
22 terms of the development agreement. It was done
23 in a fairly expeditious fashion with our



1 attorneys, their attorneys. I was the one who
2 represented us out in Lawrenceburg and up here in
3 Indianapolis when we finally signed the deal, and
4 I hope that the City understands why we go, we
5 went out to our particular location; and, to be
6 honest, I understand why they didn't endorse us.

7 MS. BOCHNOWSKI: But you do feel that
8 you would be able to work with them should you get
9 the license?

10 MR. TOMBARI: We are obligated by our
11 agreement. Moreso, we are obligated because I'm
12 on outsider coming in, but we have twelve people
13 that live there. And so we are Lawrenceburg.
14 And, so, we don't anticipate having any problems
15 both because you have an agreement that forces
16 both parties to work along and because we are part
17 of Lawrenceburg. This team is Lawrenceburg.

18 MR. VOWELS: What happened to the city
19 council? Did they lose in the primary?

20 MR. EWBANK: All but two. I think Pat
21 Crider ran for mayor against Mayor Combs and
22 (inaudible) was reelected.

23 MR. VOWELS: Was everybody back up for



1 reelection?

2 MR. EWBANK: Yes, sir.

3 MR. VOWELS: How many people?

4 MR. EWBANK: Five.

5 MR. VOWELS: And tell me again, out of
6 the five --

7 MR. EWBANK: One is still in the running
8 for the general election.

9 MR. VOWELS: Has Lady Luck as an entity
10 contributed anything to the local campaigns?

11 MR. EWBANK: No. We have tried to --
12 no. Absolutely not. Absolutely not.

13 MR. VOWELS: If you received a license,
14 have you made any guarantees to any present city
15 official elected or unelected or to any of the
16 candidates for future employment?

17 MR. TOMBARI: The answer is no.

18 MR. EWBANK: Absolutely not.

19 MR. VOWELS: Any of their spouses or
20 children?

21 MR. EWBANK: Absolutely not. Sir, one of
22 the things we did when we committed ourselves to
23 this project is to maintain our dignity throughout



1 this process, and we are not going to give up our
2 dignity over money period.

3 MR. VOWELS: Even if it's a whole bunch
4 of money?

5 MR. TOMBARI: No.

6 (Laughter.)

7 MR. VOWELS: Is it going to be the
8 practice of Lady Luck and its substantial owners
9 to ensure that all employees are properly licensed
10 before they do any work?

11 MR. TOMBARI: Of course, as we do in all
12 our gaming facilities both in the south and in
13 Nevada.

14 MR. KLINEMAN: Anything further from the
15 commissioners or Mr. Thar?

16 (No response from the commission.)

17 MR. KLINEMAN: Well, I want to thank you
18 gentlemen for the presentation. It's a very
19 interesting project, and we'll move on to 1:00
20 o'clock and we'll hear the next one. Thank you
21 all.

22

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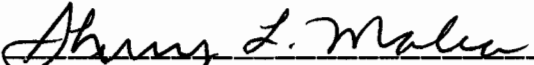


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2 (WHEREUPON, the proceedings were
3 concluded.)
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1 STATE OF INDIANA)
2) SS:
3 COUNTY OF MARION)

4 I, Sherry L. Malia, Stenographic
5 Reporter within and for the County of Marion,
6 State of Indiana, do hereby certify that on the
7 21st day of June, 1995, I reported the foregoing
8 Public Meeting; and that the transcript is a full,
9 true, and correct transcript made from my
10 stenograph notes.

11
12
13
14
15 
16 Sherry L. Malia, Notary Public
17 Residing in Marion County
Indiana

18 My Commission Expires:

19 November 14, 1998
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